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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,507 Monday December 24 1984 D 8523 B

Tokyo's three wise men and the garbage, Page 7

NEWS SUMMARY

GENERAL

Greek Cypriot alliance dissolved

Greek Cypriot leader Spyros Kyprianou ended the alliance he forged with the Communist Party, Akel. The move comes before a crucial meeting next month in New York between Mr Kyprianou and Rauf Denktash, the Turkish Cypriot leader.

It will be their first meeting in five years and is intended to find a solution to the problems of Cyprus.

Announcing the end of the alliance Mr Kyprianou said he needed a broader political base in view of the impending meeting and appealed to all Greek Cypriot political parties for assistance. Page 2

Pemex to pay

Pemex, the Mexican state oil company, officially blamed for last month's fire that killed 452 people in the outskirts of Mexico City, said it will pay all the damages. Page 8

Italy bank strike off

Italian bank workers reached agreement on a pay deal, and called off a strike that would have left many without cash over Christmas and the New Year.

Union Carbide vetoed

Madhya Pradesh state government has rejected Union Carbide's application for renewal of its licence to operate after the poison gas disaster at its Bhopal plant that killed more than 2,000 people.

Mine fire victims

Rescue workers in the burning Utah coal mine operated by the Emery Mining Company have found the bodies of 25 victims and abandoned hope of finding two others.

Peking-Moscow talks

Chinese Premier Zhao Ziyang told Soviet First Deputy Premier Ivan Archipov there were still big obstacles to improving relations between Moscow and Peking, during talks in the Chinese capital.

New Malta leader

Dr Carmelo Mifsud Bonnici, 51, has succeeded Mr Dom Mintoff, who stepped down on Saturday night as Prime Minister of Malta. Dr Bonnici is expected to continue the socialist policies of his predecessor. Page 2

Gunman foiled

A gunman at Beirut's international airport failed to stop an airliner carrying a Cabinet minister's daughter from leaving.

Indian elections

The sale of alcohol and all political canvassing stopped in India for the eighth general election since independence, which starts today. Premier Rajiv Gandhi and his Congress I party are expected to win overwhelmingly. Page 2; Page 8

Italy train blast

An explosion ripped through a packed train in a tunnel north of Florence.

Chop for chopsticks

China's leading newspaper has supported a Communist Party call to stop the use of chopsticks, condemned as unhygenic and follow the Western style of eating with knives and forks.

Troops in Bethlehem

Israel deployed additional troops and police in Bethlehem to protect thousands of pilgrims and worshippers expected in the town to celebrate Christmas.

Financial Times

We wish all our readers a very happy Christmas. The FT will next be published on Thursday, December 27.

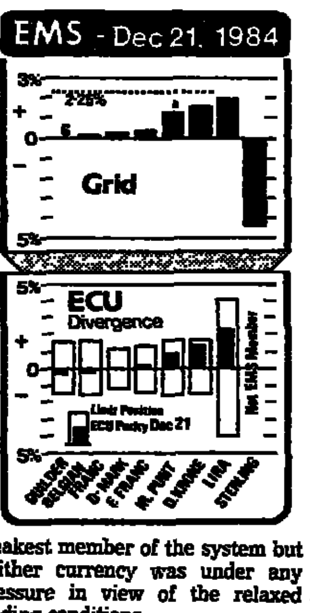
BUSINESS

Airline recovery boosts jet sales

THE WORLD's leading airline manufacturers are facing strong prospects for orders during 1985 as airlines recover from the recession and resume equipment procurement.

During 1984 Western airlines placed orders for 334 jets with the five big manufacturers. This compared with 245 orders in 1983 and 262 in 1982. Page 8

TRADING volume slowed to a trickle in the European Monetary System last week. Many banks and institutions had withdrawn from the market until the new year. The dollar remained firm against the D-Mark, keeping EMS cross-rates very stable. The Dutch guilder replaced the Belgian franc as the weakest member of the system but neither currency was under any pressure in view of the relaxed trading conditions.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

ARGENTINA's $21.6bn credit package is still not finalised. Over the weekend it was not clear whether its 400 creditor banks will have committed the "critical mass" required by the IMF, to the $4.2bn loan by tonight's deadline. This has to be achieved before the IMF will approve the release of its own $1.4bn loan at a board meeting on Friday. Page 9

TOKYO share prices closed lower again on Saturday, depressed by Wall Street's continuing fall. The Nikkei Dow index lost 12.30 at 11,462.01. Prices, Page 14

A SURGE in the New York bond market spilled over into Eurodollar issues last week, and the Prudential $1bn-plus, three-tranche deal was all that was left for last minute pre-Christmas buyers to snap up. Page 9

MR EROL AKSOY, the whizz-kid of the Turkish banking world, and the Cukurova industrial group which owns three of the leading Turkish commercial banks have had one of the most spectacular public rows seen in the Turkish business world for years. Page 10

UK GOVERNMENT is considering charging broadcasters and operators for use of the radio spectrum. It would be the first country in the world to introduce such a scheme Page 3

TEXAS EASTER, the Houston energy group, is to take a pre-tax write-down of about $80m in the forth quarter on the value of its La Gloria crude oil refinery in Tyler, Texas. Page 10

THE COURT-appointed receiver of Saléninvest, Sweden's largest shipping group, which declared bankruptcy last week, will transfer six of its Winter-class refrigerated cargo vessels to Zenith, the Government-controlled ship holding company. Page 10

Lee warns voters against swing to the opposition

BY CHRISTOPHER SHERWELL IN SINGAPORE

LEE KUAN YEW ruefully acknowledged yesterday that a "signal has been sent" to his Government by voters who slashed the margin of his party's victory in Singapore's general election on Saturday. He also sternly warned voters against maintaining that trend.

The island state's Prime Minister for the past 25 years was speaking after the People's Action Party (PAP), which he has led since 1959, was denied a clean sweep of all 79 parliamentary seats by impressively big opposition victories in two constituencies.

It was the first time since 1963 that Singaporeans had elected opposition candidates in a general poll. The result reflected a general swing in popular sentiment against the PAP's authoritarian style of rule, especially among the young.

Although 30 of the PAP's candidates were returned unopposed, its share of the vote in the 49 contested seats was cut from more than three quarters at the last election in 1980 to less than two thirds, its lowest poll for two decades.

Mr Lee's son, Brigadier General Lee Hsien Loong, 32, won more than 80 per cent of the votes in his constituency, where his opponent was a woman candidate from a left-wing group.

Trying to put the best gloss he could on the result, Mr Lee insisted that it was neither a failure nor a rebuff for his party. A highly sophisticated electorate, he suggested, had shown a subtle understanding of how to use the vote to bring pressure on the PAP. The party would continue to govern firmly.

Then, in an extraordinary series of remarks, he threatened that the party would "withdraw services" in the losing constituencies and warned of "modifications" to Singapore's one-man, one-vote electoral system, if the trend against the PAP continued.

He also castigated opposition figures for making Singapore a political "snake pit" and threatened some with slander actions.

Mr Ben Jeyaretnam, one of the opposition victors, retained with an increased majority the Anson seat, which he won for the Workers' Party in a 1981 by-election. That by-election result, ending 13 years of one-party parliament in Singapore, was a defeat the PAP was determined to avenge.

The other opposition winner was Chiam See Tong, who took Potong Pasir, a new housing estate, for the Singapore Democratic Party with more than 60 per cent of the vote. The best opposition loser among the rest is entitled to take up a "non-constituency" seat in parliament under a constitutional amendment passed earlier this year.

Lee, acknowledging that the results had surprised him, said he saw a "more fluid transition" from the older generation of leaders. The younger generation would have "to find its own goals" and create a new consensus. Perhaps the PAP would have to "go slower" or be "more generous, less austere," he said.

Job creation priority for UK in 1985

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

A CO-ORDINATED attempt by the UK Government to combat unemployment through a series of measures to stimulate job creation has been made a priority for 1985 by Prime Minister Mrs Margaret Thatcher and her top advisers.

The shift of emphasis has been reflected in the growing influence with the Prime Minister of Lord Young of Graffham, the Minister without Portfolio, since his appointment to the Cabinet last September to co-ordinate work on enterprise and job creation.

Senior ministers feel the Government must be seen to be responding to public concern over unemployment while in no way compromising the aim of holding down public spending and borrowing.

Measures to encourage job creation will form a central theme of a discussion document in early next year from Mr Tom King, the Employment Secretary, and the expected tax-cutting budget on March 19 from Mr Nigel Lawson, the Chancellor of the Exchequer.

Lord Young, the former chairman of the Manpower Services Commission, has emerged over the past two months as having a central role in such discussions. This is despite infighting over the scope of his responsibilities for co-ordinating work on youth unemployment and training, competition policy and small businesses.

Senior ministers report that Mrs Thatcher has been paying close attention to Lord Young's views and has welcomed his positive and practical approach. In particular, they cite three recent examples:

- The Prime Minister's recent conversion to a much more enthusiastic attitude towards a cross-Channel road or rail link is said partly to reflect Lord Young's advocacy,
- Mrs Thatcher quickly endorsed comments made by Lord Young in a recent speech questioning whether 16 and 17-year-olds should continue to be eligible for welfare payments if a job or training place is available,
- The decision that Lord Young should head a British trade mission to China in the new year to build on the warmer relations between the countries after the agreement over Hong Kong.

Lord Young, however, has taken the unusual step for a peer of appointing a parliamentary private secretary, Mr Robert Atkins, in the Commons.

The appointment of Mr Atkins is being taken to indicate that Lord Young wants to maintain close links with MPs in explaining and discussing his policy initiatives.

Lord Young, who works from the Cabinet Office in Whitehall, has a small staff and no executive responsibilities, seeing himself as a co-ordinator of work which cuts across government departments. He also appears to have secured an important role as confidant of the Prime Minister.

This influence has been matched by traditional Whitehall attempts to limit his role and responsibilities. There has been friction with the departments of employment, education and trade and industry.

In particular the Department of Employment is keen to ensure that it remains in the lead in producing job creation proposals, regarding Lord Young as having an advisory role.

Many ministers and MPs, including those on the "wet" wing of the Conservative Party who are critical of the present economic approach, have welcomed Lord Young's activities.

Mr King's employment proposals are expected to contain measures to help the long-term unemployed (through the expansion of the community programme and the enterprise allowance scheme) and the young unemployed (through restrictions on their welfare payments and possible cuts in national insurance contributions.).

Mr Lawson is expected to argue in his spring budget that an increase in income tax thresholds provide the best incentive to job creation. He will also include proposals directly to stimulate enterprise which may be linked with Mr King's White Paper.

Star wars concern, Page 8

GE sells UK unit to management for £27m

By William Dawkins in London

GENERAL ELECTRIC of the U.S. has sold its UK electrical engineering subsidiary, Simplex-GE, for £27.5m ($32.1m) in the largest management buyout for more than a year.

Simplex's directors, backed by a consortium of City of London Institutions were battling for the group against at least three big companies until the end of last week.

The disposal is part of GE's strategy of concentrating on its high technology divisions, a recent example of which is its collaboration with Rolls-Royce in developing high-thrust aero-engines.

In the past year GE has sold its household appliances division to Black & Decker of the U.S. for $300m and its diesel engine making subsidiary to Bombardier of Canada for about C$25m.

Mr John Hewitson, chairman of GE's UK operations, said: "Although the group is well-structured, with quality products, sound market positions and strong management, a large proportion of its UK manufactured range is concerned with products and applications which do not have compatibility with GE's strategic directions.

Management buyouts have been increasingly used in recent years as a mechanism for large companies to pull out of activities which they perceive as peripheral to their main businesses. Yesterday's deal is believed to be the biggest of its kind since Hanson Trust sold the Williams Timpson shoe chain to its own directors for £40.4m in September last year.

Simplex employs more than 1,700 people in its factories in Ayrshire, Yorkshire, Staffordshire, the West Midlands and East Sussex. It makes a range of electrical control, distribution and installation equipment for the mining, petrochemical, construction and general engineering industries.

The group was formed in 1965 as a joint venture between GE and Tube Investments, now TI

Continued on Page 8

UK-Bonn split on cereals to lead EEC talks

BY ANDREW GOWERS IN LONDON

A SPLIT between Britain and West Germany over support prices for cereals is emerging as a key feature in EEC farm policy negotiations due to start early next year.

Mr Michael Jopling, Britain's Minister of Agriculture, is approaching the talks determined to press the full application of a previously- agreed price reduction of 5 per cent.

He said that a cut of this order would help to curb the Community's runaway grain production by making cereal growers on marginal land consider quitting on economic grounds.

He added, however: "I think the Germans would find it very difficult indeed to accept a price reduction of that sort. I have told them that I believe we ought to accept it, so we are in for an interesting negotiation."

Ministry officials said that during a visit by Mr Jopling to Bonn 10 days ago, Herr Ignaz Kiechle, the West German Agriculture Minister, emphasised that he could not accept a big price cut for political reasons. Britain was becoming concerned, they said, at the leverage being exerted on the West German Government by the farmers' lobby – particularly in Bavaria.

Grain prices and production are likely to be crucial issues in next year's annual EEC negotiations after this year's record harvest throughout the Community. Cereals output totalled 148m tonnes, leaving the Community with a sizeable exportable surplus.

Some observers are already suggesting that some form of production restrictions will be necessary to keep the cost of cereals to the EEC budget in check.

Mr Jopling, however, believed that this year's harvest was an exception rather than part of a sharp upward trend. He expressed strong opposition to the introduction of a U.S.-style, set aside programme in the Community – in which farmers are paid to take land out of cultivation – and to quotas on cereals production. The former would be "a very expensive option indeed, and not very effective," he said: the latter would be "infinitely more difficult to administer" than milk quotas.

Britain's main objective in the price negotiations, he said, was "to try to maintain the mood of reality and prudence which was so evident at this year's price fixing." This was a reference to the agreement by agriculture ministers in March to cut milk output and keep a tight rein on prices of most products.

There was always a danger that with the prospect of additional funds for the Community budget in 1986, some member states would be tempted to "go back to the bad old ways" of what he termed "buying themselves out of trouble" by increasing expenditure on agriculture.

On the question of milk quotas, Mr Jopling strongly defended his decision not to collect the so-called "superlevy" on excess milk production from farmers in Northern Ireland.

Britain, the Netherlands and Luxembourg are refusing to make the payment, despite pressure from the European Commission to do so, on the grounds that France and Belgium are not complying with the rules.

"The moves that we have taken are in the interests of law and order in the Community," said Mr Jopling. "They are done to buttress the work of the Commission in ensuring that everybody equally obeys the rules."

Impostors invade the Cabbage Patch doll market

By Terry Dodsworth in New York

SOME unpleasant things are going on down in the Cabbage Patch this Christmas. The territory of the ugly little Cabbage Patch dolls, America's astonishingly successful best-selling toy, is being invaded by a new generation of evil-smelling interlopers.

It is believed that the counterfeit creatures have been bred in Taiwan especially for the Christmas season, when Cabbage Patch fever is at its height. Customs officers have picked up a few sneaking over the border from Canada, while at least 25,000 others have been apprehended in warehouse hideaways as far apart as Detroit and Manhattan.

Most parents would, of course, be extremely hard put to recognise one Cabbage Patch kid from another, despite their singular habit of reproducing themselves with slightly different facial distortions. In this case, however, there is a giveaway: The fakes carry a strong smell of kerosene that is reportedly detectable up to three feet away.

It may be that this additional repellent feature is an appealing factor to hysterical small girls, because many of the fakes have been sold. Indeed, in the Dallas area, the local safety authorites reported a flood of telephone calls after a woman complained that one of the malodorous Cabbage Patch kids had gone up in flames shortly after she bought it.

U.S. television has since carried warnings that the counterfeits may represent a fire hazard. Officials are not convinced that that is true. The Michigan health authorities have carried out what they whimsically describe as doll pathology tests, in which they failed to turn up any chemical contaminants, despite the powerful smell.

Coleco, the home computer company that is only making profits by virtue of the launch of the genuine Cabbage Patch kids range last year, has not so far commented on the interlopers. It has very little to fear over the Christmas season, however.

Its own creatures, selling for between $30 and $130 against prices as low as $10 for the fakes, continue to go like hot cakes – so much so that far-sighted parents now order their doll weeks in advance, almost as though they were buying a car. Devotees of the cult, hooked during the year by such spin-offs as holiday camps from which the dolls send home letters, are building up whole families of the kids. It is now possible to buy a range of Cabbage Patch babies, who can be kept company by some squashy little Cabbage Patch pets.

AT & T near to 1m bit chip

BY OUR NEW YORK STAFF

THE RACE for the first mass-produced million bit memory chip is becoming more intense after the announcement that research workers at the American Telephone & Telegraph (AT&T) communications group have perfected technology that could lead to volume manufacturing within a year.

The new fingernail-sized chip, known as a one-megabit Dynamic Ram (random-access-memory), was developed by scientists at Bell Laboratories, which is part of the group's AT&T technology subsidiary. They say that the miniscule circuit has been exposed both to hard usage and volume production during a year of experimentation.

AT&T is by no means the first company to announce that it has the capacity to make a one-megabit Dynamic Ram, which would have four times the power and storage capacity of the most powerful chip currently marketed, the 256 kilobit Dynamic Ram.

Last year IBM, the world's leading computer group, announced that it had developed a one-megabit product, and three Japanese companies – NEC Corporation, Fujitsu and Hitachi – have also entered the field.

These companies have all indicated, however, that their chips are still in development and will need a great deal of extra work before being put into mass production. Although it is not clear how far their devices are away from mass-manufacturing. AT&T appears confident that it can move into volume production within the next 12 months.

Along with IBM, the company already produces more chips than anyone else in the U.S., and although these have traditionally been mainly aimed at internal use, the indications are that it may sell the one-megabit product outside the group as well.

The new chip is the first big development to be announced by Bell Laboratories, one of the most consistently successful research establishments in the U.S., since the break-up of the old AT&T telephone monopoly a year ago.

The announcement is being seen in the U.S. as an important morale booster for the group after a period of setbacks and organisational upheavals. Nevertheless, there is considerable scepticism over whether the company will be able to overcome the tricky problems associated with gearing up for mass-production of the chips.

Analysts believe that the one-megabit memory market could reach around $15bn by the early 1990s. If successful, the chip would reduce the size of computers considerably, while increasing the speed of computing.

CONTENTS

Bonnici takes over as Malta's leader

By Godfrey Grima in Valletta

MR DOM MINTOFF, who has stepped down as Prime Minister of Malta and leader of the island's ruling Labour Party, in favour of Dr Carmelo Mifsud Bonnici, handpicked his successor and groomed him for the leadership over the past four years.

Dr Mifsud Bonnici, 51, has a retiring personality and comes to power with an impeccable reputation for personal integrity, winning mild-mannered ways, and a deceiving bashfulness. He is cast in a different mould from the mercurial Mr Mintoff, whose decision to quit epitomises the unpredictability of his 40 years in politics.

Mr Mintoff, 68, has occupied the centre of the Maltese political stage since 1949, when he toppled the late Sir Paul Boffa from the party leadership.

His political philosophy, which included the dissolution of the monarchy in 1974, the creation of a neutral republic, the elimination of foreign military bases, and the setting up of the welfare state, is today embraced by the whole country.

His stay at Oxford as a Rhodes scholar in 1939 gave him an enduring love-hate relationship with Britain, but it was his arch rival, the late Dr George Borg Olivier, who negotiated independence from Britain at a time when Mr Mintoff was out of office.

When he returned to power he unleashed a fierce dispute with Britain and Nato over the use of Maltese military facilities. In 1972, a deal was signed securing a higher rental fee and the removal of foreign troops from Malta by 1979.

Dr Mifsud Bonnici's premiership is likely to be much less fiery. He disdains political chicanery and for 16 years, toiled unnoticed as legal consultant to the General Workers' Union.

Before 1969, he was a pillar of the Young Christian Workers' Movement, a Catholic group which was then very anti-Mintoff.

He is pragmatic, stern after his mind is made up, and, like Mintoff, a renowned workaholic. In 1982 he was made Minister of Education, and has been deeply involved in the recent dispute with the church over its school fees system.

SOCIALISTS UNDER SIEGE OVER NEW CALEDONIA

Right unites to attack Mitterrand

BY PAUL BETTS IN PARIS

THE FRENCH right-wing opposition parties have launched a spectacular attack on the Socialist Government's policies in New Caledonia on the eve of the Christmas holiday.

For the first time since the left came to power three years ago, all the major leaders of the right-wing opposition parties have united to condemn the *Government's handling of the* New Caledonia conflict.

M Valery Giscard d'Estaing, the former President, and six former prime ministers of the *Fifth Republic, signed a joint* declaration accusing the Government of attempting to resolve the conflict in the French Pacific territory by "electoral manipulations" and constitutional breaches.

The former prime ministers included M Jacques Chirac, the mayor of Paris and leader of the main right-wing opposition party RPR, M Raymond Barre, M Jacques Chaban-Delmas, M Michel Debre, M Maurice Couve de Murville, and M Pierre Messmer.

The fact that the three principal rival right-wing candidates for the 1988 presidential elections—M Giscard d'Estaing, M Chirac and M Barre—all signed for the first time since 1981 a joint declaration has given the initiative added political weight.

The move by the opposition leaders followed a brief visit to Paris last week of M Edgar Pisani, the former EEC commissioner appointed by President Francois Mitterrand as his special envoy in New Caledonia.

M Pisani, who before becoming a Socialist was a former *Gaullist minister*, has been given two months by President Francois Mitterrand to find a solution to the New Caledonia conflict dividing French loyalists and separatists seeking independence from France.

What particularly angered the right-wing opposition parties was a suggestion by M Pisani that French civil servants on the islands may be excluded from voting in a referendum on the future of the French colony.

At present separatists and loyalists are about evenly divided in numbers. If the 5,000 French civil servants on the islands were denied a vote this would risk tilting the balance heavily towards the separatists. The situation in New Caledonia remains tense although the violence has abated.

The latest political initiative by the right come after a week of particularly bitter controversy between the socialists and the new-Gaullist RPR party. The row touched off a scene at the National Assembly last Wednesday when an RPR deputy accused the socialists of adopting Nazi policies.

Kremlin plays safe in top defence job

By Patrick Cockburn in Moscow

THE SOVIET Politburo has made a safe choice by appointing Marshal Sergei Sokolov, 73, as Defence Minister to succeed Marshal Dmitri Ustinov, who died last Thursday.

Marshal Sokolov's appointment means that the transition will not lead to any important changes within the Soviet leadership. Other options, such as the nomination of a senior party leader like Mr Grigori Romanov, the politburo member in charge of defence industries, would have led to a very significant concentration of power in one pair of hands.

A senior figure in the Soviet defence establishment for many years, Marshal Sokolov is, however, not a member of the Politburo and will have more limited political influence than his predecessor.

Marshal Sokolov, who has been first deputy defence minister since 1967, is not noted for taking a publicly assertive stance on military or political issues.

This is in contrast to Marshal Nikolai Ogarkov, the former Chief of Staff, who was dismissed a few months ago, possibly in order to remove him from the line of succession to the already ailing Marshal Ustinov.

The age of Marshal Sokolov, who joined the Red Army in 1932, must also of necessity make him a transitional figure. But he comes into office at a significant moment for the Soviet armed forces. The talks about talks on disarmament between the Soviet Union and the U.S. start in a fortnight's time in Geneva.

The Soviet Union must also decide its military, as opposed to its diplomatic reaction, to President Reagan's so-called "star wars" initiative and to create an effective anti-ballistic missile system.

An influential columnist in the daily Izvestia noted recently that the Soviet Union had the technical competence to match whatever the U.S. could do to create such an ABM system but that the expense of the undertaking was a burden the Soviet Union would seek to avoid.

Marshal Ustinov will be buried today in the Kremlin wall after lying in state for two days.

Moscow and Peking to sign long-term agreement on trade

SOVIET First Deputy Premier Ivan Arkhipov rounded off his working talks successfully in Peking yesterday with agreement to sign a long-term Sino-Soviet trade pact. He then met briefly Chinese Prime Minister Zhao Ziyang, Reuter reports from Peking.

Chinese television gave no details but showed Mr Arkhipov greeting Zhao with great goodwill and embracing his old acquaintance Vice-Premier Wan Li after talks which have brought the two countries closer than for over 20 years.

Mr Arkhipov had the last of three rounds of discussions with Vice-Premier Yao Yilin earlier yesterday after which a Foreign Ministry spokesman said the two sides will sign a 1986-90 trade agreement in the first half of 1985.

They also agreed in principle to set up a joint commission on the economy, trade, science and technology, he said.

The spokesman had no details on the trade pact but previous annual agreements set 1985 trade at $1.6bn (£1.2bn) after $1.05bn this year.

The visit of Mr Arkhipov and his high-level delegation has concentrated on how best to develop economic and trade ties, putting to one side, for the moment at least, continuing political problems over Soviet activities in Vietnam, Afghanistan and on the Chinese border and China's growing ties with the U.S.

● China will not bring to justice any of Mao Tsetung's fanatical left-wing Red Guards who killed and humiliated millions and sparked bloody civil war in many parts of China during the Cultural Revolution, a top official said yesterday.

Bo Yibo, co-ordinator of a national communist party campaign to eradicate ultra-leftism, told a central committee meeting that the party had decided not to investigate former Red Guards "because they were too young to understand," the New China News Agency reported. Diplomats in Peking said a close investigation into Red Guard activities might prove embarassing to the memory of Mao who encouraged them.

Alcohol banned as India goes to the polls

BY JOHN ELLIOTT IN NEW DELHI

THE SALE of alcohol was banned and all political canvassing stopped in nearly 400 parliamentary constituencies over the weekend amid sporadic violence as India prepared for its eighth general election since independence.

Polling takes place in 379 constituencies today and the remaining 130 constituencies involved on Thursday and Friday. About 280m voters will choose their representatives for the Lok Sabha, India's lower house, from about 4,100 candidates.

By next Saturday night, when most of the votes will have been counted, Mr Rajiv Gandhi, who took over as Prime Minister after his mother was assassinated on October 31, is expected to be returned to power in his own right.

Senior opposition leaders face tough fights in their constituencies because of strong candidates fielded against them by Mr Gandhi's Congress I party. Three who might lose their seats include Mr Chandra Shekar, President of the Janata Party, Mr A. B. Vajpayee, President of the Bharatya Janata Party and Mr Charan Singh, leader of the new DMKP Party, which he formed from his old Lok Dal and other parties recently.

In an attempt to curb emotional disturbances and violence during the election, the sale of alcohol in shops and hotels was stopped from Saturday morning in areas where polling takes place today.

According to the Press Trust of India, more than 50 people were injured in clashes in Marxist-controlled West Bengal at the weekend and in Bangalore several were hurt when stone-throwing supporters and opponents of Mr Rajiv Gandhi were dispersed by the police. More than 2m security force members are being deployed near polling stations.

There will be no voting in the troubled states of Punjab and Assam. Polling is also being delayed till the end of January in five constituencies for local reasons. They include Bhopal where over 2,000 people died from a major gas leak three weeks ago.

Kyprianou ends pact with Akel

BY ANDREAS HADJIPAPAS IN NICOSIA

PRESIDENT Spyros Kyprianou has abandoned the alliance he forged in 1982 between his Democratic Party and the powerful Communist party, Akel, in preparation for his crucial meeting next month with Mr Rauf Denktash, the Turkish Cypriot leader.

The two are due to meet in New York on January 17 for their first face-to-face encounter in five years in an effort to work out a solution to the problems of divided Cyprus.

Announcing his decision to break with the Communists on Saturday, Mr Kyprianou said he needed broader political support in view of the important development in the Cyprus situation and appealed to all Greek Cypriot political parties to assist him.

Akel helped Mr Kyprianou win the last election, has given his government parliamentary backing but has not been represented in his government.

The President's decision to terminate his pact with the Communists is interpreted here as being designed to assure Western, particularly U.S., support for his stand, since he is relying heavily on American backing to secure concessions from the Turks.

The Communists expressed "bitterness and disappointment" over Mr Kyprianou's "unilateral, untimely and mistaken" decision which they said would please only "Nato American imperialist circles."

Akel, which polled 34 per cent in the last parliamentary elections, is the largest party in Cyprus and helped Mr Kyprianou sweep back to power in February last year.

The Communists, who hold 12 seats in the 35-seat House of Representatives against the Democratic Party's nine, have given no indication that they will try to create a government crisis.

Hopes of Gulf peace dashed

AN END to the Gulf war appears as far away as ever after foreign ministers of the *Islamic Conference Organisation* (ICO), meeting in Sanaa, North Yemen, were rebuffed by Iran in their efforts to arrange a mediated end to the conflict, writes *Tony Walker in Cairo*.

Ali Akbar Vellayati, Iran's Foreign Minister, said over the weekend, there was "no room for dialogue" with Iraq. His remarks dashed earlier hopes that Tehran may co-operate in mediation efforts.

On Friday, outgoing secretary-general Habib Chatti of *Tunisia, said Iran* was prepared to co-operate with a special ICO committee formed to seek an end to the conflict.

Shanghai foreign banks allowed to take deposits

FOR THE first time in more than 30 years, the Chinese *Government* is allowing foreign banks to take deposits and make loans in foreign currency, AP reports from Peking.

The relaxation applies to four established branch banks in Shanghai, but there are plans to allow overseas banks to do business in the four "special economic zones" of Shenzhen, *Zhuhai, Shantou and* Xiamen, the China Daily reported.

The four overseas banks were allowed to retain branches in Shanghai after the communist takeover in 1949. They are the Hong Kong and Shanghai Banking Corp., Chartered Bank, the Bank of East Asia and Overseas-Chinese Banking Corp.

In the past, they could only handle trade settlements and foreign exchange remittances sent from abroad.

Now they are allowed to make loans at their own rates and to accept deposits at the same interest rate as the Bank of China—about 1 per cent.

U.S. bankers in Peking said they hoped the decision would soon enable them to open branches in the Chinese capital. Sixty foreign banks have representative offices in Peking but are not allowed to open branches or do ordinary banking. Most handle trade documents for clients doing business with China and act as advisers.

Keeping an office and quarters in Peking costs the major U.S. banks about $350,000 a year, representatives said.

The China Daily report said the changes in Shanghai were designed to encourage foreign investors and bring in overseas capital, [illegible] international [illegible]ndicated loans.

WORLD TRADE NEWS

Canada gas venture prospects improve after export deal

BY BERNARD SIMON IN TORONTO

A CONSORTIUM of Canadian energy producers has cleared a major hurdle in an increasingly intense effort to sustain the interest of a group of Japanese utilities in an ambitious liquefied natural gas export project.

After lengthy delays, the government of Alberta has approved the export of up to 1.5 trillion (million, million) cubic feet of natural gas to Japan over the next 20 years. Alberta said it had received assurances that producers in the province would receive prices comparable to those exports to the U.S.

The C$3.5bn (£2.33bn) venture, known as the Western LNG project, has been on the drawing board since 1980 when it was initiated by the ailing Calgary oil and gas producer Dome Petroleum.

The plan involves construction of a gas liquefaction plant and marine terminal on the British Columbia coast near the Port Rupert coal terminal. A substantial investment will also be required for pipelines and five sea-going LNG carriers.

Under the plan, Alberta and British Columbia would each supply half of the natural gas shipments, with a total sales target of 154bn cubic feet a year. British Columbia agreed earlier this year to grant the necessary export permits.

The Canadian sponsors of the project are expected next week to discuss pricing and other financial arrangements with the five prospective Japanese buyers, headed by Chubu Electric.

The Japanese utilities had set a "final" deadline of December 31 for agreement on a sales contract. But the Canadians have asked for an extension of at least two months.

Mr Joe Clark, Canada's Foreign Minister, is understood *to have discussed the issue with* Japanese government officials during a visit to Tokyo earlier this month.

The project appeared doomed earlier this year because of delays in obtaining export permits and disagreement on prices. But it has been revived since Dome withdrew from active participation last September. In addition, the Canadian Government has eased price controls on natural gas exports.

Dome's two partners in the project, the local subsidiary of the Japanese group Nissho Iwai and Union Oil of Canada, have recently set up a new company, Canada LNG, to take part in the venture.

Other participants include Suncor, in which the Ontario government is a minority shareholder, Pan-Alberta Gas, and Westcoast Transmission of Vancouver. The state-owned energy company Petro-Canada is expected to join the consortium soon.

The new group has revised some of the financial arrangements proposed by Dome, including tighter price assurances for natural gas suppliers.

A Union Oil official said Alberta's decision to sanction its share of gas exports for the project "significantly helps us in meeting the conditions the Japanese put on the deal."

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

		Nov. '84	Oct. '84	Sept. '84	Nov. '83
U.S.	000s	8,154	8,431	8,460	9,429
	%	7.2	7.4	7.4	8.4
UK	000s	3,223	3,225	3,284	3,094
	%	13.4	13.4	13.6	12.8
		Oct. '84	Sept. '84	Aug. '84	Oct. '83
W. Germany	000s	2,144.5	2,143.5	2,201.8	2,147.8
	%	8.0	8.0	8.2	8.0
France	000s	2,515.6	2,415.9	2,241.4	2,165.0
	%	11.0	10.6	9.8	9.5
Italy	000s	2,990.8	2,901.4	2,837.9	2,763.8
	%	13.2	12.8	12.6	12.2
Netherlands	000s	802.6	821.4	839.6	824.6
	%	14.4	14.7	15.0	14.8
Belgium	000s	623.1	630.7	634.1	628.7
	%	15.2	15.4	15.6	15.3
Japan	000s	1,600	1,590	1,570	1,490
	%	2.80	2.77	2.77	2.63

Source (except U.S., UK, Japan): Eurostat

ABV wins Colombia contract

By David Brown in Stockholm

ABV, the large Swedish Construction company, has announced its biggest foreign contract to date worth Skr 1.2bn (£114m) to build harbour facilities for the Colombian government.

The deal is being jointly financed by a consortium of Nordic banks, export finance and guarantee agencies.

The two and a half year project will be built in a wilderness north of Buenaventura on the Pacific coast, which is accessible only by helicopter and small boat. In a first phase, a harbour will be built for the Colombian coast guard. The facilities will later be extended for commercial fishermen, sources say.

The order, part of a broad development plan in Colombia, is expected to be followed shortly by further contracts for Swedish companies. These are understood to include a counter trade deal involving the ASEA electrical engineering group (for up to three coal-fired power plants in exchange for Colombia's clean burning coal) and telecommunications and electronic equipment from the LM Ericsson group.

ABV is also understood to be in the final negotiating phase for a considerably larger contract to build an Skr 3bn sports complex in Malaysia.

● ASEA AB of Sweden has won a $49m contract to supply a high voltage direct current converter station to India's state-owned National Thermal Power Corp, a Swedish embassy official said, Reuter reports from New Delhi.

Iraq deal for Yugoslavia

IRAQ HAS awarded Energoinvest of Yugoslavia a $54m contract to build four power transmission stations in south and west Iraq, company officials said, Reuter reports from Baghdad.

The officials said Energoinvest and the Yugoslav Government would provide credits to cover part of the cost of the project, and 90 per cent of the equipment would come from Yugoslavia. The credits would have a two-year grace period.

Singapore in bid for China trade

BY CHRIS SHERWELL IN SINGAPORE

DOZENS OF Singapore companies are joining the rush to take advantage of China's "open door" policy on foreign investment with the aim of gaining a toehold in a huge and potentially lucrative market.

The tiny island state still lags well behind Japan, Hong Kong and the U.S. in trade with China, taking around 2 per cent of the total compared to their share of more than 50 per cent. But China is both Singaport's largest market and its largest supplier in the communist bloc, and two-way trade in the first 10 months of 1984 was already ahead of the full-year record of S$2.4bn set in 1982.

The balance is strongly in favour of China, which sells potroleum and textile manufactures and is Singapore's principal suplier of fruit and vegetables. For its part Singapore sells items like fertiliser, wood manufactures and telecommunications equipment, but it wants to do more and seee the growth *potential as limitless*.

With a predominantly Chinese population of its own, and having developed so rapidly itself, Singapore obviously feels *it is wel placed to help China* progress down the road to modernisation. Apart from the hardware and technical know-how, it reckons it has the technical, financial and managerial expertise to put together attractive packages for the Chinese.

Moreover, although many Singaporeans speak Chinese dialects, the government hopes its long-standing "Speak Mandarin" campaign will give it an advantage over Cantonese-speaking Hong Kong in dealings with the Chinese authorities.

Already, contractors, manufacturers, traders, energy services companies, consultants, hotel operators and banks have been busy trying to lay firm business foundations. Many are still at the discussion stage, but others have advanced much further.

The two most successful new sectors *so far appear to have* been tourism and oil development. Hotel operators like Shangri-La Hotels and Wannian Holdings are involved in developments in Peking, Dalian, Hangzhou, Shenzhen and Beihai. Other contractors and property developers want to build hotels and offices in Xiameñ and Shanghai, and one private contractor has completed a hotel in Peking.

Major companies like Promet and Intraco are helping to service China's oil development effort. Promet is involved in South China Sea exploration through links with foreign groups like Total, Elf Aquitaine and Occidental. Intraco, a Singapore government corporation, is one of eight companies aiming to run an offshore supply base at Chiwan. A related company, Intraco Metal Box, meanwhile wants to establish can-making plants in China.

One private group, Wah Chang, is linked with Bethlehem and Reading and Bates to build an oil rig in a joint venture with the Chinese in Guangdong. With Reading and Bates it also has a partnership with the China National Offshore Oil Corporation to lease a semi-submersible drilling vessel.

Numerous Singapore companies are offering help in the high tech area. Chuan Hup wants to sell microwave communications systems and, in Guangzhou, is already making microcomputers. At least one private company has been trying to sell high technology weapons systems and several others have offered computer systems. At a more basic level, Tony Wong, a tape maker, clinched a large order for blank cassettes, beating the Japanese.

In banking, United Overseas Bank has now joined Singapore's other two big private sector commercial banks, Oversea-Chinese Banking Corporation and Overseas Union Bank, in setting up a Peking office. Singapore International Airlines, which has an agreement with *China's national* airline to fly to Canton and Peking, meanwhile wants to amend this to allow flights to Shanghai and Peking, and hopes to start operations before mid-1985.

All of this is occurring while Singapore has no formal diplomatic relations with Peking. China maintains a large trade mission in Singapore, and Singapore's Trade Development Board has a Peking office, but the island state will not establish formal ties ahead of its huge neighbour, Indonesia.

Even here, changes are afoot. After years of antagonism towards Peking, Jakarta is now talking openly of trading with China and in time, etablishing diplomatic ties. Singapore itself has become less nervous about *its citizens' contact* with China, and over Peking's backing in the past for underground communist groups.

Whether this quickly materialises into a new political and commercial relationship with the overseas Chinese of Singapore is another matter. But there is now incontrovertible *evidence* that China's new path has caught the imagination of the government and, more importantly, of the country's businessmen.

Italy wins $844m Peking orders

By Alan Friedman in Milan

ITALY HAS won $844m of industrial project orders from China, the largest of which is a $200m contract for Fiat, the automotive group, to build a *light trucks factory*.

The orders, contained in an economic co-operation pact announced Friday in Rome, will be financed largely through Italian export credits, loans and grants. They constitute a significant strengthening of commercial ties between Italy and China, fostered in part by the visit earlier this year to Milan and Rome by Chinese Premier Zhao Zyang.

Fiat is to provide licences, technology and training for the construction of a light trucks plant which will produce up to 50,000 vehicles a year. In addition to this contract, which is worth around $200m. Fiat will also participate in tractor production at plants in Shanghai and Loyang. The latter contract will be worth between $30m and $40m.

Among other ventures covered by the agreement are contracts for Olivetti, Montedison and various machine tools manufacturers.

SHIPPING REPORT

Salen's failure 'casts a long shadow into 1985'

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE WORLD shipping industry was dealt a further blow last week with the collapse of Salen, the major Swedish shipowning company. It follows the recent failure of Irish Shipping, a state-owned concern.

Denholm Coates commented that the years of depression in the industry were now taking their toll. Salen's failure "must further chill the hearts of shipowners (and probably even *more directly of bankers) and* casts a long shadow into 1985."

Also disappointing the dry cargo market was a fall in key freight rates to levels last seen in August. The U.S. Gulf to Japan rate for grain in Panamax ships (60-80,000 tons and able to pass through the Panama Canal) was below $15 a ton.

With more bulk carriers due to be added to world fleets next year—over 1m tons were delivered in November alone—rates are unlikely to move ahead sharply.

One UK shipbroking firm, Simpson Spence and Young, saw an encouraging sign in the October figure of 9.2m tons for Japanese crude steel output, the highest level for four years.

"The hopes of the shipowning industry rest *on continued* industrial recovery and substantial increases in raw materials to absorb the excess bulk carriers."

Next to tankers, where fleets have been declining in response to slack freight rates due to recession and the prolonged after effects of the 1970's oil crisis, bulk carriers are the largest component of world shipping.

Latest figures from Lloyd's Register of Shipping show that the volume of ore and bulk carriers rose by 5.3m gross tons to 103.7m in the year to June 30, with tankers down by 9.8m tons to 147.4m.

Concern at Malta's Eastern tilt

BY GODFREY GRIMA IN VALLETTA

MALTA'S flirtations with Moscow have become a source of growing concern for the island's traditional trading partners in Western Europe.

Suspicion is heightening that the courtship could lead to East *European* countries being awarded a bigger portion of Malta's rising imports bill.

Dr Alex Sciberras Trigona, Maltese foreign minister, on *Friday night however dismissed* the ominous complexions colouring Malta's growing affinities with the Eastern bloc. Reporting back to Parliament on last week's Prime Ministerial visit to Moscow where trade and economic ties were discussed, Dr Sciberras Trigona asserted Malta was trying to tap markets ignored by previous administrations. This, he added, would not be done at the expense of Malta's existing trading relations with Western Europe.

Mr Dom Mintoff, the outgoing Prime Minister, at the same time invited the U.S. to upstage the Soviet Union by providing the island with even better trade deals than the $265m three-year countertrade accord signed with Moscow in March.

Western Europe remains by far the major beneficiary of Maltese purchases from abroad. Out of a global imports bill *totalling Maltese £273m (£462.4* totalling Maltese £273m (£462.4m), imports from EEC and EFTA countries by October this year had reached £M215m (£365m). Orders placed with East Europe, including of course Moscow, at £M11m were dwarfed into insignificance.

In between January and October West European companies had picked up almost all of Malta's industrial production, not including tourist receipts. Their share of the island's £M138.8m exports came up to £M103m, which greatly towered over the £M7m worth of purchases and ship repair jobs arriving from the Soviet bloc.

Particularly disconcerting, however, are Maltese demands for bilateral trade to be wound down to more rational levels where the imbalances against Malta are huge.

This has led to constant wrangling with Britain, France, Italy and Japan. Imports from the latter two countries are currently banned.

Malta insists its leading partners either step up their purchases of semi-manufactured goods or else increase their industrial investments on the island.

East European countries, lead by the Soviet Union, have been making overtures by offering *countertrade and* barter accords. By year end the Eastern bloc, due predominantly to the countertrade accord with Moscow, will have eradicated its net trade surplus and tipped the balance in Malta's favour.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Government may charge for radio spectrum use

BY RAYMOND SNODDY

THE GOVERNMENT is considering the possibility of commercialising the radio spectrum by charging users for what is now virtually a free resource.

The Department of Trade and Industry is about to commission a feasibility study and has sought tenders from leading consultants in the field.

If such a scheme were to go ahead, it is believed that Britain would be the first country in the world to introduce commercial pricing of the radio spectrum, although similar suggestions have been made in the U.S.

Such commercialism would increase costs for all radio spectrum users, including broadcasters, civil aviation, mobile radio operators and the emerging business of cellular radio.

They would be charged according to the use made of the spectrum: at present users pay a flat licence fee, which covers only the costs of regulation and administration.

The Government has not formally announced that it is seriously interested in charging for the radio spectrum. However, because of the privatisation of British Telecom it decided that it ought to warn prospective investors of the possibility.

A single, little noticed, paragraph was inserted in the final version of the BT prospectus. It said, in part: "A feasibility study is shortly to be commissioned by HM Government on the possibility of introducing in the future some form of pricing for the radio spectrum in place of, or in addition to, the present licence fee basis."

Several organisations that gave evidence last year for the Merriman report into the use of the radio spectrum argued that the spectrum should be priced.

Some, such as the Transport Science Policy Unit in the Department of Transport, have argued that the present cost-free system distorts the pattern of demand for radio frequencies. Under that argument, market forces rather than centralised regulation would lead to a more equitable and efficient use of a scarce resource.

The Merriman report concluded that it was a good idea to make people more aware of the value of the scarce resource they were using. It gave a warning, however, that it might be impractical to create a free market in the spectrum because of international regulation and the high government use of the radio frequencies, particularly by the Ministry of Defence.

Working days lost to strikes at highest level for five years

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITAIN has lost about 23m working days through strikes this year – the highest figure since the "winter of discontent," which was instrumental in bringing the Conservatives into Government in 1979.

Although a high figure was expected because of the miners' dispute, the number of days lost – the third-highest total for a single year this century – will embarrass and disappoint ministers who had watched with satisfaction the much lower annual strike figure totals in the early 1980s.

When the strike figures for 1984 are formally published in the new year, ministers and officials are likely to try to set aside the impact of the miners' strikes and point to the underlying level of strike activity.

The disputes in the coal industry are likely to account for almost 20m days lost overall, with the final figure depending on the impact of the surge of miners who returned to work in November and early December.

With the effects of the miners' dispute on the 1984 strike figures stripped out, though, ministers may be able to claim with some justification that apart from the coal strikes, the general level of strike activity remains roughly constant.

There have been other significant strikes this year – most notably, perhaps, the long-running Department of Health and Social Security computer dispute in Newcastle-upon-Tyne, which now looks like drawing to a close, and most recently, the Ford machinists' strike, the Austin-Rover stoppage and a rash of difficult and protracted local-government disputes.

Many of these, however – especially the DHSS dispute – have involved relatively few people, and so have made little impact on the figures, even though they may have affected great numbers of people.

BNOC has 'useful role' says broker

BY ANDREW GOWERS

GOVERNMENT revenues from the North Sea would have been some £300m lower this year if the British National Oil Corporation (BNOC) did not exist, according to Edinburgh-based stockbrokers Wood Mackenzie.

BNOC, the Government's oil marketing company, has made trading losses of between £40m and £50m this year as the gap has widened between its official prices and those on the spot market. Some oil companies believe BNOC constitutes unnecessary government interference in the market and should be wound up.

However, in its latest North Sea report, Wood Mackenzie says: "On balance we believe BNOC has a useful role to play and will remain in business... The trading losses currently being experienced must be viewed in context – they are greatly outweighed by the positive impact on government revenues resulting from the term price being held."

That is because North Sea taxes are based on BNOC's price rather than lower spot prices. The brokers estimate that, if this year's spot prices had been used to calculate taxes, government revenues would have been £350m lower.

Wood Mackenzie says there is a case for closer links between official and spot prices.

JOHN HUNT PICKS OUT SOME COLOURFUL POLITICAL CHARACTERS

Stars twinkle fitfully in Westminster's galaxy

UNDER the Thatcher regime, it is difficult to pick out the year's star personalities at Westminster, because the Prime Minister's own dominant personality tends to eclipse all lesser mortals.

Nevertheless, some colourful characters still stand out from the grey mass.

The choice of any personality does not imply approval of the politics of the MP in question. He or she is more likely to be chosen because of a talent to provide entertainment or excitement in the daily grind of parliamentary business.

The award for tenacity goes to Social Democratic Party leader Dr David Owen. Week after week, he performs an act of political levitation as he tries to invest his party's seven MPs with national significance.

Slowly, the 46-year-old doctor rises at Prime Minister's Question Time to do battle on two fronts against Tories and Labour.

Luckily, the Labour left-wingers sitting nearby unwittingly come to his assistance. Their attempts to shout him down give him the impetus he needs.

"Oh, yes," he roars. "You don't like it, but you are going to get it anyway."

Dr Owen is a great admirer of Cromwell and seems to have a sneaking admiration for the autocratic Mrs Thatcher. Occasionally, there are rumours that admiring Tories have approached him to suggest that he should join their party. Such a transition for this lone man of destiny seems highly improbable.

Last Wednesday, a roar of approval went up from the Labour benches as Dr John Cunningham, Labour's environment spokesman, led the attack on the Government over local authority capital spending.

Mr Francis Pym

Gerald Kaufmann

Dr David Owen

Undoubtedly, he is Labour's success story of the year. He scored another coup in the way he managed to get an emergency debate on the spending cuts, thus putting the Government in an extremely difficult position.

Inevitably, there has been speculation that the 45-year-old Dr Cunningham might be the next leader of the Labour Party. However, some believe that he lacks the extra sparkle needed for the job.

No list would be complete without Mr Dave Nellist, the bearded Labour Member for Coventry South-East, who is one of the two Commons representatives of that dreaded sectarian organisation, the Militant Tendency. Despite Militant's contempt for parliament, Mr Nellist has become a frequent and well-informed questioner on industrial and employment matters.

His questions provide a revealing insight into the mind of Militant. There are frequent embittered references to private wealth, and he recently became very wound up about the gift of a miniature Jaguar XJS to Prince William.

Mr Gerald Kaufman, Labour's Home Affairs spokesman, remains the sharpest operator on Labour's front bench. His gaudy phrases match his highly coloured neckwear and are tailor-made for tomorrow's headlines.

There are frequent references to the minister activities of "Big Sister" at Number Ten and he coined the phrase "bloodstained Krugerrands" to condemn the South African cricket tour.

The coveted award of Trouble Maker of the Year must go to Labour's Mr Tam Dalyell, who has made life hell for the Prime Minister over the sinking of the Belgrano in the Falklands War. From his ancestral home, The Binns, outside Edinburgh, this descendant of Scottish lairds issues forth to barry the Government.

His untidy figure can be seen scurrying along the corridors of Westminster, clutching piles of documents. He shows fiendish ingenuity in bending the rules to follow the trail of the Belgrano, although he still finds time for other matters.

The recent headline "Tam challenges Attorney General to prosecute himself" carries the authentic Dalyell flavour.

In these days of Tory rebellion, tribute must be paid to that deadly duo, Mr Ted Heath and Mr Francis Pym, the rebels of the year. For a few weeks there is an ominous lull and then the House rapidly fills as one of them rises to launch another onslaught on Thatcherite policies.

The contrast between the two is fascinating. Former Foreign Secretary Pym is almost deferential. He seems to imply that he hates having to say such nasty things but duty requires it.

Former Prime Minister Ted Heath is far more aggressive and no longer bothers to hide his personal animosities. Above all there is his new-found and fordant sense of humour.

Old-timers sigh nostalgically and observe that if only Ted had been such a good speaker 10 years ago, he might still be Prime Minister.

This year has seen the Lords in rebellion against the Government and this had brought to the fore those two exotic characters, Viscount "Willie" Whitelaw, leader of the Lords, and Lord "Bertie" Denham, his chief whip.

They provide a perfect double act straight out of the pages of P.G. Wodehouse. Their performance is now so finely tuned that they no longer need words to communicate. If Willie is making a mess of things, Bertie moves out to the middle of the chamber and glares at him until he shuts up and sits down.

It only remains to wish them all the compliments of the season and offer commiseration to those Tory MPs who are crying into their gin and tonics because Mrs Thatcher has cut short their Christmas holiday by one week and made it difficult for them to get abroad for their skiing.

Overseas companies back Celltech care

BY DAVID FISHLOCK, SCIENCE EDITOR

OVERSEAS COMPANIES are currently financing all the health care ventures of Celltech, the Government-backed biotechnology company, according to Mr John Jackson, its chairman, in his latest annual report.

All those ideas were rejected by British companies to which they were first offered, Mr Jackson said.

Celltech's backers include Sankyo, Japan's second largest pharmaceutical company, and Serono Laboratories, part of the Ares-Sereno group in the U.S.

Mr Jackson announces a slight fall in the losses of the three-year-old research company, to £1.9m from £2.0m, and forecasts that it is "at the beginning of a road which will lead, in the foreseeable future, to profits on a substantial sales income."

However, Celltech regrets the lack of UK commercial interests, partly because the company has close ties with the publicly funded Medical Research Council, spending about £120m a year, and partly because "local market pull would be of considerable benefit to the company," he says.

A new joint venture with the U.S. group Air Products and Chemicals, called Apcel, has been launched to exploit industrial microbiology, by undertaking research projects

VW Caddy makes delayed UK debut

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE VOLKSWAGEN pick-up truck based on the old Golf car and called the Caddy is now appearing for the first time in UK dealer showrooms after a delay of nearly two years caused mainly by a dispute over its origins.

The British authorities at first insisted the pick-up be decribed as "made in Yugoslavia" because it is assembled in that country.

The importer, VAG (UK), the Lonrho subsidiary, argued that final quality inspection of every truck took place at Volkswagen's Ingolstadt facility in West Germany, that most main components were supplied from West Germany and that, under the terms of the International Standards Organisation (ISO), the vehicles are labelled "made in West Germany" in other EEC countries.

In the end, the UK authorities relented and accepted the "made in Germany" tag, which, apart from giving marketing advantages, also meant that VAG did not have to put the pick-up through type approval tests (technical and safety tests) in Britain.

The Caddy is a remarkable example of how international some vehicle production has become. It was designed in West Germany for the North American market. However, it proved unable to stand up to competition from the U.S. pick-ups and was recently withdrawn from sale in the U.S.

When VW introduced the new Golf in the autumn of 1983, the German group's 49-per-cent-owned subsidiary in Yugoslavia, TAS Tvornica Automobila, which has been producing the Golf I, was left without a vehicle to produce.

So the tooling from the Golf pick-up was moved from the U.S. to Yugoslavia and the capacity to produce 50 a day was installed.

FT COMMERCIAL LAW REPORTS

Finance for emergency EEC budget may come from Consolidated Fund

REGINA v HM TREASURY, EX PARTE SMEDLEY

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Slade and Lord Justice Lloyd): December 19 1984

THE UK Government has power by Order in Council to characterise as a "treaty" an undertaking entered into with other EEC governments to contribute towards a supplementary and amending EEC budget; and accordingly, if such an Order were approved by Parliament, contributions could be made from the Consolidated Fund without statutory authorisation, under the law relating to implementation of Community treaties.

The Court of Appeal so held when dismissing an appeal from a decision of Mr Justice Woolf. The judge had refused an application by Mr William Oliver Smedley for an order for judicial review in respect of the Government's intention to pay more than £121.5m out of the Consolidated Fund to the European Economic Community (EEC), under the terms of an Order in Council in draft form before Parliament.

Section 1(2) of the European Communities Act 1972 defines "the Treaties" or "the Community Treaties" as the treaties relating to accession to the European Economic Community and the European Atomic Energy Community, and the decision relating to accession to the European Coal and Steel Community "and any other treaty ... entered into as a treaty ancillary to any of the treaties, by the United Kingdom."

Section 1(3) provides: "If Her Majesty by Order in Council declares that a treaty specified in the Order is to be regarded as one of the Community Treaties as herein defined, the Order shall be conclusive that it is to be so regarded; but a treaty entered into by the United Kingdom after January 22 1972, other than a pre-accession treaty shall not be so regarded unless it is so specified, nor be so specified unless a draft of the Order in Council has been approved by resolution of each House of Parliamant."

Section 2(3): "There shall be charged on and issued out of the Consolidated Fund the amounts needed to meet any Community obligation to make payments to any of the Communities or member states ..."

SIR JOHN DONALDSON said that Mr Smedley, as a British taxpayer and elector, was troubled by the Treasury's expressed intention to pay the European Community more than £121.5m out of the Consolidated Fund, without seeking the authority of Parliament in the form of a statute.

Instead it proposed to operate the special procedure provided by section 1 of the European Communities Act 1972, which involved laying a draft Order in Council before Parliament. If it were approved, payment could be made on the authority of section 2(3) of the Act.

Mr Smedley applied for relief by way of judicial review. His application was dismissed by Mr Justice Woolf on December 6. He appealed.

Section 2(3) gave the Treasury authority to issue out of the Consolidate Fund amounts needed to meet community obligations to make payments to any of the Communities or member states. In that context, "community obligation" meant any obligation created or arising under the treaties.

It followed from sections 1(3) and 2(3) that if an Order in Council, the draft of which had been approved by Parliament, were to declare that an international agreement was to be regarded as a Community treaty, the Treasury would be entitled to make payments called for by that agreement, without further authority.

Over the period from 1970 to 1975 the EEC moved from a system whereby it was financed by contributions from member states to one where it was financed by its "own resource." In 1984, however a supplementary and amending budget had been produced, and the member governments had thought it right that the expenditure contemplated should be met partly out of funds provided by member states in the form of "reimbursable advances."

On or about November 19 1984 a draft Order in Council was laid before both Houses of Parliament. It specified that an undertaking made by EEC Government representatives, to make payments to finance the supplementary entry and amending budget, was to be regarded as a Community "treaty," as defined in section 1(2).

Mr Laws for the Treasury submitted that at present, as no Order in Council had yet been made, it was premature for the court to cinsider Mr Smedley's application.

In many and possibly most circumstances, the proper course would be for the courts to invite an applicant to renew his application if and when the Order in Council was made. But in some circumstances an expression of view on questions of law might be of service to the parties and to parliament.

That course was adopted in *R v Electricity Commissioners 1924 1 KB 171*. In that case an inquiry was in progress, the cost of which would have been wasted if the Minister and Parliament had approved the scheme only to be told later that it was *ultra vires*.

Similar considerations applied in the present case. It was apparent from the terms of the undertaking that provision of the money was considered a matler of urgency. If the court were to defer consideration of Mr Smedley's application until after each House of Parliament had considered whether it approved the draft, it would only have contributed to avoidable delay if the correct view was that an Order in terms of the draft would be valid.

The essence of Mr Smedley's complaint was that the undertaking to make the payment to the European Community was not "a treaty ancillary to any of the treaties," within the meaning of section 1(2); and that it was *ultra vires* for an Order in Council to declare that it was to be regarded as one of the Community treaties.

The concept of one treaty being "ancillary" to another was not one of precision. There might be more than one view on whether a particular intenational agreement was or was not "ancillary."

It was no doubt for that reason, among others, that Parliament had provided in section 1(3) for a system where by an Order in Council should be conclusive as to what treaties were to be regarded as Community treaties, and that no treaty entered into after January 22 1972 should be so regarded unless characterised by Order in Council

Further more, quite apart from whether a particular instrument would otherwise be regarded as "ancillary" to the Community treaties, Parliament had retained the right to prevent its being so regarded by refusing to approve the draft Order in Council designed to achieve that result.

The sole question for the court was whether the Order in Council, if made, would be *intra vires* the power conferred by Parliament upon those who would make it.

That power did not derive from the affirmative resolution of the Houses of Parliament which was a power of veto. It derived from a pre-existing power to be inferred from section 1.

In accordance with familiar principles, that power must be assumed to be limited to making an Order in Council in relation to an agreement which could properly be regarded as ancillary to the Community treaties. The question was whether the undertaking *could*, not would, be so regarded.

The only real challenge was based on the submission that the undertaking conflicted with some of the provisions of the Community treaties.

It might be open to doubt whether such a conflict would necessarily and in all circumstances disqualify an instrument from being regarded as ancillary to the Community treaties. However, there was no inconsistency between the undertaking and the treaties. As was pointed out by Lord Denning Mr in *Bulmer (1974) 1 Ch 401*, Community instruments were not expressed against the background of English eanons of construction and should not be so construed.

The Community treaties were designed to express principles. The relevant priciple so expressed was that the Community budget should, as far as possible and thus usually, be entirely financed out of the Community's own resources, but that was not to say it must in all circumstances be so financed.

It was clear that in the view of the member states unusual circumstances had arisen in 1984 which had given rise to the need for a supplementary and amending budget. A temporary departure from the guiding principle set out in the Community treaties did not seem inconsistent with properly regarding the undertaking as ancillary to the treaties.

That objection apart, nothing could be more ancillary to the community treaties than the provision of funds to enable the Community to fulfil its essential functions.

Accordingly an Order in Council in the terms of the draft would be *intra vires* the order-making power.

Lord Justice Slade gave a concurring judgment. Lord Justice Lloyd agreed.

For Mr Smedley: Leolin Price QC, John McDonnell QC and TM Ashe (Bower Cotton and Bower)

For the Government: John Laws (Treasury solicitor)

By Rachel Davies
Barrister

Company Notices

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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Learning French on the farm

BY HAZEL DUFFY

"My commercial French is rusty—but I think he's saying that the word processor of his aunt est dans le jardin because it is made in England"

SATURDAY, mid November: an excellent lunch in a farmhouse in northern France. But this is not the start of a gastronomic experience. Six British businessmen and two French teachers are sitting down at the beginning of a six-day intensive French course. Each has only a basic knowledge of the language. Distant memories of "O" level French grammar mixed with more recent contacts with French business and industry are common to everybody, as is a need to get to grips with the everyday expressions of French commercial life in a bid to expand the opportunities afforded by the French market.

Suddenly it dawns on the group that the organisers of this course were serious when they told the students in advance that French will be the sole language to be used during the six days.

All the students have connections with French-speaking markets. With varied commercial backgrounds in banking, manufacturing, transport and State industry they are in their 30s and 40s and are mostly middle management in companies based in London and the South East. Two have attended a preliminary residential French course held in England in the summer. All must undergo a short assessment of their comprehension of French before being accepted on this intermediate course.

Grammar revision starts that afternoon. The ducks in the farmyard punctuate awkward silences as the teachers try to make everybody use the hated "y" and "en" in reply to their constant questions. Lessons finish around 6.00 pm, followed by half an hour or so of homework. Dinner follows the same halting regime as lunch.

Sunday: Breakfast is around 8.15. Anybody who wants to jog around the country lanes in the dark before breakfast is free to do so, but time has to be found to listen to the first cassette revising yesterday's grammar in question and answer form.

Formal lessons begin with a dozen numbers reeled off to concentrate the mind—not too bad when they are less than 100, but getting more challenging when thousands and millions are introduced. Number tests will be repeated every morning: why can the French not give their telephone numbers in the straightforward English manner?

Reflections at lunch: Why bother? Peter, marketing director of a plastics company, explains his reasons: his French customers do not want to speak English—in the evening, socially, they are happy to use English but during the day, French is the rule.

Immediately after lunch, when wine is liberally poured, the organisers take account of the fact that concentration will not be at its most intense. Accordingly, an after-lunch talk with a difference is given by farmer/hotelier host who seeks to explain the problems of goat milk production.

Monday: Fresh country air, courtesy of bicycles on the farm, prepares the mind for another dose of grammar. Longing for coffee break, even if only to read the French newspapers. Following session includes commonly used phrases at the opening of a telephone conversation.

Group breaks into two for certain sessions, and the smaller group permits more departure from set texts. General economic terms surface—growth, unemployment, industrial relations, are elaborated on with reference to business experience personally. Keith, director of an electronics company in Britain, which has bought a French company to get a stake in the market, talks about his desire to communicate with the shopfloor workers in that company.

Afternoon: play-acting a restaurant scene offers the chance to reveal the humorous talents of British businessmen. Formal French terms for ordering gastronomic delights, and paying for them, are revised.

Tuesday: Wake to the unmistakeable sounds of grammar revision on cassette coming from surrounding rooms. One or two participants have admitted to listening to early morning BBC news.

Afternoon: deadly routine is avoided by conducted tour of farm. Farmyard chat becomes serious when our host seeks advice on how to break into English market with his goats' milk cheese. Final exercise of the day on accounting terminology (specimen balance sheet to be studied at leisure) drags on until 7 pm.

Wednesday: Morning lessons have an air of holiday, because we have been told beforehand that it is normal for even the most conscientious students to be flagging by this stage and a "diversion" has therefore been arranged.

Afternoon: Bicycles stacked in car boots. Some contemplate cycling 20 kms to nearest town but decide their fitness rating has not been improved by long hours of French study. Instead, une randonee by bicycle around the forest follows. Elwin, marketing manager in a software components company, talks about his hopes of quadrupling sales to France. His colleague speaks French fluently, but Elwin is increasingly frustrated at his own inability to bring together technical French with his everyday French.

Looking forward to dinner in a restaurant—the only meal away from the farm. Anticipation slightly dimmed by teachers presenting students with an envelope containing a FFr 50 note and list of five items to be purchased in the local shops. They are not immediately recognisable—a little box of "trombones," for instance, is found finally in the stationers (paper clips, of course).

Thursday: Day of Disillusion. Concentration flags in grammar lessons.

As the end of the course looms, the gap between stumbling conversation and fluency seems as large as ever.

Then Bernard, chairman of a motor distributors, returns from the front (Paris) where he has had to attend a business meeting. Colleagues at the meeting remarked upon his new-found ability to speak French. After-dinner jokes told in rapid succession suggest that progress has probably been more marked than had been supposed.

Friday: Wake to realisation that thinking is taking place in French. The last cassette is much easier to understand than the earlier ones. The ability to speak a language does not come in the form of sudden revelation. But the discipline of an intensive course away from everything can push the reluctant student into picking up the basic tools. From then on, it is practice.

**Le Francais a la ferme. Organised by Chantal Munro Associates for the London Chamber of Commerce and Industry. Price in 1985 for the course: £765 for LCCI members, £815 for non-members (exclusive of travel).*

Medical aids

The oriental art of deflecting competitors

Andrew Taylor explains why J. & A. Carters now has a Taiwanese components supplier

PROBLEM: a British manufacturer of medical aids, with a customer list which has included some of the crowned heads of Europe, faces cut-price competition from Taiwanese manufacturers aping its products.

Solution: if one of these competitors can produce quality components, cheaper than you can make or buy elsewhere, turn the competitor into a supplier.

It is a bit like ju-jitsu, the oriental art of self-defence, where the skill is to disarm or deflect your opponent by using his strength and aggression to your advantage.

J & A Carters, started in London in 1861 by two brothers, John and Alfred, produces about 30,000 wheelchairs a year, accounting for about two thirds of annual turnover of £8m. Customers have included members of the Royal family, the Kaiser and the Czar of Russia.

The company has concentrated its efforts on producing sophisticated aids like powered wheelchairs and electric hoists for bed-ridden patients. About 60 per cent of output is exported; Carters manufactures cheaper manually operated wheelchairs for markets like the Middle East, where the initial competitive thrust from Taiwanese manufacturers has occurred.

Though long-established, Carters was not in peak condition to take on competition from the Far East. It had become, by its own admission, rather flabby and stale and had failed to develop new and exciting products.

Brian Hopkins, Carters' managing director, claims that the company's copyrights have been infringed by some of the Taiwanese manufacturers.

"We first became aware of the problem about three years ago when we started to receive letters and brochures from several Taiwanese wheelchair manufacturers offering to supply us with components.

"One brochure even displayed a photograph of one of our own wheelchairs with our name crudely blacked-out. It is likely the manufacturer was using the photograph as bait to attract orders before committing himself to production."

Taiwanese wheelchairs exported to Britain can be as much as 25 per cent cheaper than British equivalents although the quality of the products is often very poor, claims Carters, which earlier this year was acquired by Invacare, the U.S. medical products group.

Carters says it has several responses it could have made, and still could make, to unfair competition from the Taiwanese.

● It could start legal action aaginst alleged copyright infringements. This option has not been entirely ruled out, but legal action is costly and can take a long time. Even if one manufacturer can be shut down, another company can start up in its place, and the whole process has to start again.

● The company could simply ignore the competition. The quality of its rivals' products is generally poor; they sell at the lower end of Carter's range of medical aids. The British company's main competitors are found in France and Germany.

Of this option Hopkins says: "Our experience is very similar to that of British companies which faced cut-price competition from Japanese manufacturers in the 1960s.

"The Taiwanese, like the Japanese, are quick learners. It would be a mistake to believe that quality and technical standards will not improve. Complacency like that led to the demise of the motor cycle industry in this country."

● A third option—one which most companies would like to think they adhere to but which in practice is hard to achieve—is to compete in all markets by striving to maintain the quality of products while seeking to reduce manufacturing costs.

It is in pursuit of the latter aim that Carters, which is based in Westbury, Wiltshire, has decided to use one of its better Taiwanese competitors as a supplier. Cathay Consolidated supplies the British company with tyres and some plastic components.

Hopkins sees no conflict or shame in using a competitor as a supplier: "If the price is right and the products are good, then we would be foolish not to use this to our advantage," he says.

"We are an international company, prepared to take parts from anywhere if it is in our best interests. We use specialist steels from Holland because we cannot get the same quality in Britain. We also use upholstery from the Irish Republic because we believe we get better value for money."

Hopkins asserts that the Taiwanese connection should not be regarded as a case of "if you can't beat them join them." He prefers to describe it as using the strengths of the market place to protect the company and the jobs of its employees.

One of the current strengths of its armoury, says Carters, is a requirement of the UK Department of Health and Social Security that wheelchair manufacturers, and their component suppliers, should meet the requirements of British Standards quality assurance code number BS5750.

"We have worked hard to ensure we satisfy the standard and the company is approved as a DHSS supplier. This means that rivals will have to achieve the same quality if they are to break into this important domestic market. We can also use the standard as a badge of quality in international markets," says Hopkins.

He says the adoption of the standard made the company think more seriously about how it made its products. More visits are now paid to component suppliers and the company's quality assurance staff has risen from just 5 members to 19.

"We have invested £50,000 in the last 12 months to improve manufacturing efficiency and quality. Better computer facilities will improve stock and creditor controls."

Above all Carters says it needs to keep ahead in product design. It has revamped its design department, bringing in fresh faces from other industries in a bid to instill new ideas. The head designer, for example, was formerly employed by a zip fastener company.

So far Carters' approach has brought satisfactory results. Several new products, including a portable powered hoist for patients, are on the market. After several years of losses, the company expects to have made a pretax profit of several hundred thousand pounds this year, after interest payments.

Sales are up by around 25 per cent in 1984 at a time when international spending on health care is hardly rising.

"The important thing is that we are competing, at every level; so far we are holding our own," says Hopkins.

Jim Knaub competing in the 1984 Paris Marathon in an Invacare Team 500 series wheelchair

TECHNOLOGY

EDITED BY ALAN CANE

DOMESTIC ROBOT WITH ENTERTAINING CHARM

Enter the Japanese civil servant

BY ROBERT COTTRELL IN TOKYO

IT WILL not put anybody out of a job. And it will probably never be photographed shaking hands with Mrs Thatcher. But "Omnibot," not quite two feet tall, does seem destined to become the best-known and certainly the most popular member of the robot species since R2D2.

Its maker, the Japanese toy company Tomy Kogyo, introduced Omnibot to Japan and the U.S. at trade shows in January this year, and expects to have shipped 110,000 units by the end of its first year of mass-production next February. A preliminary batch has been sent to the UK for sale this Christmas, but major European marketing will not begin until next year.

Retailing in Tokyo at Y39,000 (£135), Omnibot's appeal is more than that of a simple child's toy. Its external design is an appealing blend of George Lucas and Dr Who; its features and functioning are limited but entertaining. Among its various virtuoso turns, Omnibot will speak, sing and serve drinks.

It can be radio-controlled at distances of up to 50 feet, or follow programmed instructions loaded on to a cassette tape of up to 30 minutes duration. One stockbroker says he sends Omnibot to meet clients in his reception and bring them into his office. Another owner has found Omnibot a great success around the house with everybody except his two dogs, who view it with growling suspicion.

Instructions are given to Omnibot via a hand-held radio control, whose main feature is a joystick for 360-degree movement. But the robot's "heart"—anatomically as well as figuratively—is a custom-built one-chip microcomputer combining a four-bit central processing unit and a 1k memory. The memory is extended with a magnetic tape cassette recorder housed in Omnibot's "stomach," which can store behavioural instructions for the CPU as well as music and speech for replay through built-in loudspeakers. An alarm / timer allows preset starting and stopping of taped programmes.

Omnibot's claw-type hands and clip-on tray make it capable of rudimentary butlering: the left hand only, presented with an object, will close automatically around it. Messages spoken into a microphone in Omnibot's handheld radio control can be boomed out through the robot's loudspeaker and accentuated by strobe-synchronised flashing of its large and purple eyes.

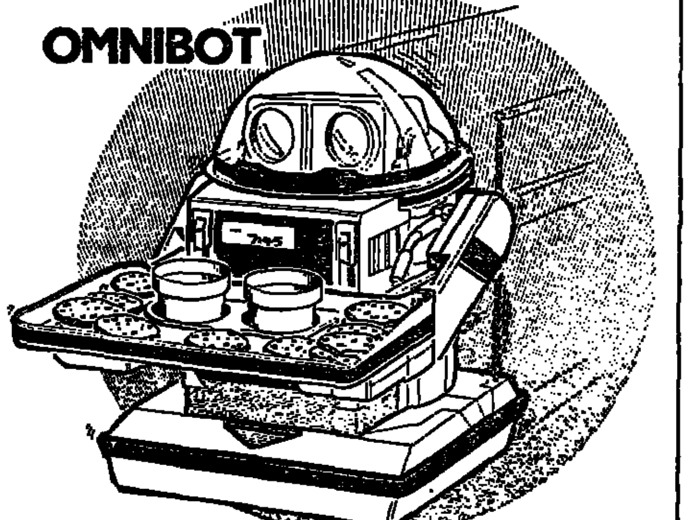
Tomy's assistant manager of research and development, Mr Takao Kubo, says the company spent two years developing Omnibot as a product sophisticated enough to appeal to adults as well as children. Tomy's R and D staff totals 160, grouped into a domestic, an international, and a "high-tech" division.

"Our target was the family," says Mr Kubo. "The number of children in the population is getting smaller and smaller. The toy market is getting smaller. To expand our business we want to appeal to the entire age range."

Mr Kubo studied mechanical and industrial design before joining Tomy, where he added on-the-job electronics training. One of his previous successes for the company was "Armtron," a reach-and-grab electronic arm which mimicked simple industrial-type robots. His department has also endowed Omnibot with two smaller siblings, the "Verbot," which responds to spoken commands, and the "Dingbot," a basic runaround which merely bounces off obstructions in its path.

Some of Tomy's suggestions for using the Omnibot have their appeal, even if from a strictly utilitarian viewpoint programming the robot to do a job seems if anything more laborious than doing it one's self. "Omnibot," reads the U.S. instruction manual, "can be a kitchen timer. Program a path between the kitchen and the living room. Then set the alarm for the desired baking time. Go into the living room and relax. Omnibot will come into the room and remind you when it's ready."

But other suggestions threaten dangerously to misjudge the mood of many family gatherings—on Boxing Day morning at least. Hungover fathers may care to pre-censor the paragraph which proposes that "Omnibot can wake up the whole family, even Uncle Harry who is visiting for the weekend. Won't Uncle Harry be surprised when Omnibot rolls in with wake-up words and good cheer!" Perhaps fortunately, Omnibot's anthropomorphism does not extend to having clippable ears.



The Omnibot has reached Harrods in the UK with a selling price of £150

Offshore

Pipeline repair

SUCCESSFUL trials have been carried out on an automated system to repair deep sea pipelines. The RMP project, as it is called is, has been developed by ACB, Comex, Elf and Total.

Total carried out sea trials at the end of last month in Loch Linhe in Scotland. There, teams from ACB and Comex working from a control room onboard Seacom, a diving support ship, controlled a prototype remotely controlled vehicle, Rov 400.

The RMP project is part of the French deep sea hydrocarbon development programme. The system comprises a H frame to support the line above the seabed, a worktable to hold the pipe, a module to carry girders and a transfer vehicle to move the various components of the system into position on the seabed. The project also needs other modules to carry out specific jobs such as machining, internal cleaning of the pipe and removing coatings.

During the Scottish trials, a length of pipe was prepared for insertion in the pipeline using the remote equipment and lowered to the sea bed. Now the group hopes to extend the system with additional modules which can be attached to the H frame.

Software

Mailbox program

SOFTWARE FOR the IBM PC and Compaq machines which allows electronic mail is available from Geisco, the computer arm of the U.S. General Electric group. Called PC Mailbox, the system works with the company's Quik-Comm international electronic mailbox service.

On the screen appears a symbolic desktop with "trays" for incoming and outgoing messages. The software allows messages for outgoing mail to be taken from an address book stored in the system. More details from the company in the UK on 01-546 1077.

DREXLER ADVANCES IN EUROPE

Pergamon opts for laser card

BY GEOFFREY CHARLISH

DREXLER CORPORATION of California has signed up 20 licensees for its laser card information recording system in under two years and is now moving into Europe, having recently concluded agreements with Pergamon and Ciba-Geigy. This must be one of the most successful technology licensing operations in the U.S. and Japan for some time.

Mr Robert Maxwell, who heads the Pergamon group, has revealed that Standard Telephones and Cables is developing a reader/writer unit for his company. One of the first applications will be in connection with Pergamon's scientific information publishing operations, where immediacy is the keynote.

Subscribers will receive a laser card on which several hundred pages of A4 text are recorded, in place of the conventional printed paper. The card will be slotted into a personal reader and the pages will appear on a television screen. But Mr Maxwell said he "would rather not be drawn on the timing" for the introduction of the technology.

The Drexler laser card was announced in 1981 and Toshiba bought the first licence in late 1982. Since then Drexler has set up facilities to make the recording material. It can hold up to 800 pages of English text on a piece of plastic the size of a credit card.

A very fine laser beam is used to melt microscopic, black pits into the surface of an otherwise reflective surface. The pit sequences are digitally coded to represent text characters or graphics and can be read back by a second laser for reproduction on a screen.

But although Canon, Ericsson, Fujitsu, Honeywell, Matsushita, NCR, Sharp and Wang are among the licensees, no systems or equipment have yet been marketed. "Development of the card reading equipment has taken longer than expected," says Mr Drexler. The main problem apparently, is to design a sufficiently inexpensive machine. Stanford Research Institute, with which Drexler has been working closely and where much of the original research was carried out, has recently completed a design, details of which will become available to licencees.

Under the non-exclusive licences, Drexler grants world distribution rights for the cards, together with rights to patents, know-how and the designs of equipment for writing and reading the cards. But no agreement includes card manufacturing rights or the basic technology.

In the U.S., one of the more dramatic applications is likely to be with Blue Cross of Maryland, the medical insurance group with over 70m subscribers.

The objective, says Drexler, is to give each subscriber a card on which is recorded his complete medical record and details of his insurance coverage. Card reader/writers will be placed in ambulances, doctors' surgeries and hospitals so that, in an emergency, medical staff can immediately determine the best action to take. The prospect is that lives will be saved and administration costs reduced.

According to Jerome Dexler, one or more of the Japanese licensed companies are likely to supply the reader/writers, of which 750,000 could be needed in the next ten years. At a value of about $1,000 per unit, this could amount to $0.75bn of manufacturing business.

The other European licensee, Swiss company Ciba-Geigy, is more circumspect about its plans. At the company's UK photographic subsidiary, Ilford, Mrs Sabine Preston, marketing manager responsible for exploiting the product, said the company's purchase of the licence was a "long term strategic decision" and plans are confidential.

However, Ciba Geigy's Swiss subsidiary Gretag is in security systems and laser engraving. Furthermore, Ilford is in the film costing business — which is likely to be threatened in a few years by electronic image recording.

But Mrs Preston thinks it unlikely that any announcement of products or services will be made before the end of 1985.

Half the companies on Drexler's list are Japanese. Two major camera companies, Canon and Olympus Optical are there. Although nothing has been announced, it seems likely both companies are thinking in terms of the digital recording of images from CCD cameras, in place of film.

Others are thinking about the storage of software on the cards — Kanto Denshi has already shown equipment at a video games exhibition in Chicago. Players might buy a card which in an arcade for example, could be slotted into various consoles for the latest games, and be debited at the same time. Nipponcoinco, coin mechanism maker, has similar plans.

Another Japanese company, Computer Services Corporation, is planning to use the card in an educational system in which Kanji characters are combined with cartoons. The company sells over $150m of software annually ad according to Drexler is designing a complete system.

Design

Better sawblades

BATTELLE COLUMBUS Laboratories, Ohio, has developed a computer-aided design package that allows saw blade design and production set-up time to be reduced in some cases by a factor of 10.

Originally developed for the Peerless Saw Company in the U.S., the software is now available for licensing by companies outside North America.

It should allow companies to expand production capacities and handle small volume production designs. Production schedules and part design can be quickly altered. The program leads the designer through a step-by-step process to create tooth forms and prompts him for details of features such as slots, pinholes and keyways. The program uses a "fill in the blanks" procedure for data entry.

With all the data entered, the program calculates blade geometry, the number of steel sheets needed, the position of each blade on the sheet and the motion and control demands to the laser cutter—inabout five seconds. Operators can view the blade designs on their terminals and when approved, the cutting data is fed straight to the laser controller's memmory. No punch tape is used. Designs csan be recalled at any time.

More about the program, which runs on Digital Equipment PDP-11 and VAX computers, from Battelle in London on 01-493 6184.

JAPANESE RESEARCHERS DEVELOP FIBRES FOR HOSPITALS

Optical fibres for laser treatment

A JAPANESE company is promising an advance in optical fibres that could extend the applications of lasers in hospitals.

Mochida, a medical-products company, says it will soon be ready to sell an optical fibre that can carry the infra-red light from carbon dioxide lasers with relatively small radiation loss.

Until now, the applications for carbon-dioxide machines have been limited because fibres made from conventional glass absorb the radiation at 10.6 micrometres emitted by the device. As a result, light from the lasers cannot be "piped" by endoscopes deep inside the body to treat organs such as the stomach or lungs.

Despite this, carbon dioxide machines are one of the most useful lasers for hospital work. Light from the lasers is strongly absorbed by the water that is a major constituent of human tissue. As a result, the radiation can be used to vapourise cells in delicate cutting operations, for instance in gynaecology.

Mochida has revealed few details about its fibre. Before the fibre can be used in hospitals, it will have to satisfy strict tests on toxicity.

The Japanese company is trying to make inroads into the UK by selling its own carbon-dioxide lasers through a small British enterprise, Spembly Medical of Andover. The £50,000 machines have an output of up to 60W and can be used to treat surface areas of the body in conjunction with a microscope.

THE ARTS

The Theatre in 1984/Michael Coveney

A year of great acting . . . and indifferent plays

In this summary spot last year, the heroic achievements of Derek Jacobi on behalf of the Royal Shakespeare Company as Cyrano, Prospero, Benedick and Peer Gynt, were celebrated with the suggestion that he might now be teamed with Ian McKellen, at either the RSC or the National Theatre, to usher in a new golden age of star classical acting.

While Jacobi took his RSC repertoire to the Olympic Games and Broadway, McKellen shook off the disappointments of last year and, burying the hatchet with Sir Peter Hall (McKellen had been a notable critic of the South Bank operation since its inception), climbed aboard. He proceeded to give three major and, in my view, increasingly remarkable performances that have added much lustre to an otherwise disappointing NT year.

McKellen, like Jacobi, is an indisputable lead actor. But he is also a highly talented leader of actors. In the mid-1970s he was a guiding spirit in the democratically organised Actors Company (one of his biggest successes there was with an obscure Chekhov play, *The Wood Demon*, just as *Wild Honey* at the NT this year was a triumphant reclamation of Chekhov's first play, the rarely performed *Platonov*); and when he joined the RSC, he inspired and led around the country the company's first small-scale tour.

Now, at the National, he has not only played Pierre in *Venice Preserv'd*, Platonov and Coriolanus, he has also become an associate director in order to form and direct one of the five new NT companies that will be in operation by the middle of next year. He will share responsibilities for this troupe with Edward Petherbridge (who was also with him in the Actors Company).

Without question 1984 has been the year of the actor. There have been very few notable new plays: Michael Frayn's *Benefactors* was something of a menopausal bore, while Tom Stoppard provided an evening of strenuous mirthlessness with his Molnar rewrite *Rough Crossing*; Simon Gray gave us more of the same Oxbridge blues and failed aspirations in *The Common Pursuit*, which not even Harold Pinter's direction could steer from the Lyric Hammersmith into the West End; while Pinter himself, having walked out of the National over differences with Peter Hall to join the new alignment of star actors and directors, United British Artists (UBA), offered only a short, though admittedly powerful, piece on a military dictatorship but which played to lunchtime audiences and contained a now obliterated performance both chilling and corrosive by Alan Bates.

Bates is a unique British star in that he combines genuine international fame, through the cinema, with an illustrious career on British television (his sad and secretive major in *Separate Tables* was just as good as *An Englishman Abroad*) and the stage. Neither McKellen nor Jacobi has yet cracked that Bates code. One great performer who has, is Glenda Jackson and she was, in my book, the actress of the year for her stunning performances in O'Neill's *Strange Interlude* and Racine's *Phedra*.

With *Coriolanus*, these latter two shows were my highlights. The O'Neill, bravely presented cold in the West End by Triumph Apollo, is a difficult five-hour piece in which the heroine moves across the decades haunted by the loss of her lover and father. It is the play that first popularised Freud in America and it entails an experimental use of interior monologue which Ms Jackson and her superb supporting company — Edward Petherbridge, Brian Cox, James Hazeldine — under the direction of Keith Hack, turned to great stylistic advantage.

And the Jackson *Phedra*, translated by Robert David MacDonald and designed and directed by Philip Prowse, aroused more strongly expressed opinion, certainly among my colleagues in this building, than did any show all year. Some thought Ms Jackson's vocal range was too recklessly exploited; that Georgina Hale was too mannered as Aricia; that the translation was an abomination; that it was dull; that it was outrageous; that, in short, it was not like most things in the British theatre, comfortable and tidy.

Ms Jackson is also a member of the UBA, and it is a feature of our theatre that its leading actors are drifting away from the subsidised sector into the commercial sphere. This may have something to do with what Simon Callow defined in his book, *Being an Actor*, as the tyranny of directors, the bureaucracy of the big companies. But it is really more to do with money: spin-off television deals and film commitments are easier to organise around the scheduling of commercial six-month London runs than around the complicated logistics of a nine-month or two-year stint at the RSC or the National.

Either way, resonant and conclusive statements about the theatre are always dangerous. Callow, for one, is re-joining the National in the New Year to play a leading role in *Pravda*, a comedy about Fleet Street by David Hare and Howard Brenton. Two years ago, the West End theatre was on its knees. Mainly due to the strength of the American dollar against the pound, but not merely due to that, the West End has thrived all year. The Arts Council, in its "Glory of the Garden" report made ugly noises about transferring financial responsibility for the Royal Court to the Royal Borough of Kensington and Chelsea, which has shown about as much interest in the activities of the English Stage Company as has the local council in Stratford-upon-Avon to those of the Royal Shakespeare.

But the Court will survive, albeit as scandalously underfunded as everyone else in the British theatre. This year we had one of the best plays in Michael Hastings's *Tom and Viv*, about T. S. Eliot's arid and peculiar first marriage (returning to Sloane Square in the New Year); a memorable performance from Brian Cox in Ron Hutchins is *Rat in the Skull* about the interrogation of an IRA suspect in a London police cell; and Max Stafford-Clark's impeccable revivals of Edward Bond's *The Pope's Wedding* (a first play classic happily restored) and *Saved*. In the Theatre Upstairs, I most enjoyed Peter Cox's *Up to the Sun and Down to the Centre*, a generous and theatrically engaging study of how the troubles have ripped apart one Belfast Republican family.

You see top class acting at the Court, but the "names" do not seem to go there any more. No theatre assembled more "names" than the Chichester Festival for William Gaskill's wonderful revival of *The Way of the World* (later at the Haymarket): Maggie Smith, Joan Plowright, Sara Kestelman, Ian Hogg, Michael Jayston, James Villiers, John Moffatt, Jane Carr . . . the line stretched out to the crack of doom. And what scrupulous, lucid work it was in a Chichester season that also boasted Alec Guinness's scandalously underestimated Shylock—a dignified, well-dressed, cool, finical and noble resident of the ghetto who exerted a natural command of his Christian adversaries by merely being a greater presence than were they, and a fine revival of Alan Bennett's *Forty Years On* (also transferred to London), Paul Eddington in the lead.

Neither Trevor Nunn nor Terry Hands were directly involved in the RSC's Stratford this year, a fact which began to tell quite heavily towards the end of what started off as a most exciting season with Kenneth Branagh as Henry V. Adrian Noble's production was superb, Branagh impeccable of diction and deportment.

The excitement continued with Antony Sher's Richard III, the first serious claim on the part by a British actor since Olivier. Sher was a chameleon insect, a bottled spider, a hovering bat, a still toad, a bounding chimpanzee. He used his crutches like a pole-vaulter, careering across the stage with speed and lift, out-witting and out-pacing an intimidated court of sycophants and victims. Above all, he used the idea of Richard's deformity in different ways, depending on whom he had to deal with. This was a brilliant, extraordinary bravura performance which will no doubt achieve its final maximum impact on arrival in the Barbican next year. For my money, it ranked alongside Olivier. Robert Hirsch and Ramaz Chkhikvadze . all great Richards. There is no higher compliment.

Roger Rees's Hamlet and Barry Kyle's doggedly lavish *Love's Labour's Lost* both exposed the dangers of letting expensive design ideas run away with intellectual preparation at the RSC. Neither production was notably intelligent, neither really showed the respective directors or casts to best advantage. Meanwhile, down the road at the ever pleasure-giving The Other Place, we had Louise Page's marvellous *Golden Girls*, superbly directed by Barry Kyle, and a rumbustious comic display from Geoffrey Hutchings in Nicholas Wright's *The Desert Air*.

It was TOP's tenth anniversary and I gather that the RSC will now be concentrating what there is of its new play policy in the Nissen hut and the Pit while the new middle-scale, privately funded Stratford venue, the Swan (due to open in 1986), will be the place to go for Jonson, Middleton, John Ford and the rest. I am not sure how I feel about this. Meanwhile, next year at Stratford we shall have but four main-house productions and the first piece of good news is that Juliet Stevenson, whose 1983 Isabella adorned the Barbican for much of this year, will be giving her Rosalind.

The RSC in London offered an abysmal production of *The Happiest Days of Your Life* and a superbly designed *Mother Courage*, Judi Dench making up for missing out on Cats with a devious, pragmatic alley-cat of a Courage, pushing John Napier's elaborately designed cart through the smoke and coloured lights on the periphery of European wars to an almost ecstatic apotheosis in the Heavyside Layer. Howard Davies's production was mercifully un-Brechtian, thereby acknowledging one of our contemporary theatre's greatest challenges: the restoration of the century's most important dramatist in the terms of our own political and social culture.

This year's Lloyd Webber extravaganza was *Starlight Express*, about which some colleagues have been surprisingly superior. Its message is no more objectionable than that of *The Wizard of Oz*, admitted refracted through the Thatcherite concept of pulling yourself up by your own non-existent bootstraps. But it was a stunningly presented show, with echoes of Disneyland, Spielberg and the street culture of robotic dancing and body-popping. There were narrative problems and dead spots in the second half. But it was a physically experimental show, far more daring than most in London.

If it was a good year for acting, it was certainly a busy year for musicals. *42nd Street* at Drury Lane was a hectic but tasteless confection fatally lacking the calibre of Jerry Orbach (in New York) as the Svengali producer. Wigs and costumes were all to pot. Much better was *On Your Toes*, and not just because it was by Rodgers and Hart and dates from 1936. Balanchine's choreography, elaborated by Donald Sadler, and Hans Spialek's orchestrations, under the musical direction of John Mauceri, were perhaps the most unsung surviving treasures of the year. Makarova was simply divine.

Hobbling along behind came the competent revival of *West Side Story*, the cheerful cabaret *Pump Boys and Dinettes*, a gross and crude revival of *The Boy Friend* and the wingeing plaintiveness of *The Secret Diary of Adrian Mole*. None of these shows was inherently rotten, but none will challenge memories of better days. Nor, of course, will the year's notable flops which were the rock-bottom Ambassadors presentations of a Wilde musical, *The Importance*, and the "now you see it, now you can't" (three days' run, three days too long) of Richard O'Brien's *Top People*. I also loathed *Extremities*, a play about rape, and *Corpse!*, a purported murder thriller. Neither was a flop, though, which says something about both popular taste and the power of the press.

Back to acting. With McKellen and Sher, outstanding male actor was Gerard Murphy for his heroic, mesmerising, brave and entirely seductive performance as Sartre's Götz in *The Devil and the Good Lord* under John Dexter's direction at Hammersmith. Also valiant were the late lamented Leonard Rossiter in *Loot*, the still vibrant Alun Armstrong as Leontes and Procter in the RSC's large-scale touring productions of *The Winter's Tale* and *The Crucible* (which I caught in Lincoln Cathedral), and the ever resourceful Rowan Atkinson in *The Nerd* (another show reviled by those misled into thinking that theatre has nothing to do with low taste and a sense of humour).

In Philip Prowse's Greenwich season, Julie Legrand was a wonderful Masha in *The Seagull*, a striking Vittoria in *The White Devil*. Vanessa Redgrave and Wendy Hiller were unforgettable in *The Aspern Papers* at the Haymarket and I was much impressed by Sheila Reid in Sharman Macdonald's *When I Was a Girl I Used to Scream and Shout* at the Bush.

The Bush had another exceptional year, ranging from Brian Thompson's *Turning Over* (with Frances Barber using her timid PA as a launching pad to RSC glory as Camille and Ophelia) through Doug Lucie's *Progress* and Simon Callow's one-man impersonation of Jean-Jacques Rousseau. Elsewhere on the fringe, the best I saw included the re-vitalised Hull Truck in *Bouncers* and *Up 'N Under* (returning to the Donmar Warehouse in the New Year), and the Irish touring company Field Day, still run by Stephen Rea and Brian Friel, which gave new life to Sophocles and Molière thanks to translations by the Irish poets Tom Paulin and Derek Mahon.

Anthony Minghella established himself as a genuinely exciting new writer with *A Little Like Drowning* at Hampstead, *Love Bites* at the Derby Playhouse and *Two Planks and a Passion*, revived after last year's Exeter première, at Greenwich. There is no writer whose next play I anticipate with more interest and confident relish, well he and Peter Cox are the new writing names to watch. New theatre composer of the year is Howard Goodall, despite his contribution to the NT's appalling *Mandragola*. His hymns and anthems for *The Hired Man* were enjoyably infectious, which is more than can be said for the rest of the show.

Arriving in the regions, where I spend much more of my time, and happily so, than reflected in the proportion of space here allotted them, I must single out the Leicester Haymarket under the new direction of David Aukin for its bold productions of Chekhov and Shakespeare, its re-animated studio policy, its pragmatic relationship with London management and the design work of John Byrne. The Nuffield, Southampton, too, is in the competent new hands of Justin Greene: *Of Mice and Men* and the revival of Pownall's *Music to Murder By* were excellent.

The Glasgow Citizens has maintained standards with an exceptional *A Woman of No Importance* and an intriguing world premiere, by Rolf Hochhuth, of *Judith*. On the whole, one feels that the regional theatre is going to have to pull its socks up in order to justify the rather platitudinous faith placed in it by the Arts Council. Centres of excellence sound good, but nothing happens without talent on the spot, money in the budget. There are stirrings in Newcastle, where Peter Terson's *Strippers* did for ecdysis what Trevor Griffiths's *Comedians* did for stand-up comedy: place it in a socio-economic contemporary background and play on our weaknesses for what we should, as good liberal theatregoers, abhor.

My favourite play of the year was, in many ways, Howard Brenton's *Bloody Poetry*, but the force of this dream play about Shelley and Byron, exploding into a dramatic treatise on the exiled artist, was seriously impaired by a poor production. First seen at Leicester, the play later came to Hampstead. It played to 200 people a night (or 30 per cent capacity) in Leicester: a flop. In London, it played to 152 (packed house) at Hampstead and was deemed a success. I think a failure, in this instance, is more valiant. Brenton must now learn, without compromising his talent, to fill Leicester.

New and challenging plays, well presented, as a stated part of a policy, will keep the theatre going in the regions. What threatens the nation's theatre at the moment is a timid Arts Council view of what constitutes success; the continuing ignorance and pettiness of most regional theatre boards; the unimaginative programmes of most artistic directors in the regions; and the general insecurity inculcated by a nation which is only too happy to boast of its theatre and its actors while simultaneously remaining shamefully reluctant, unlike any other comparable European country—France or Germany—to subsidise its art and artists in an appropriate, let alone decent, manner.

Scene from "Starlight Express" — Leonard Burt

Alastair Muir

Alastair Muir

Ian McKellen as Coriolanus and Glenda Jackson as Phedra

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

Dec 21–27

LONDON

Royal Philharmonic Orchestra conducted by Lionel Friend with Peter Donohoe, piano. Beethoven. Barbican Hall (Wed). (638 8891).

Royal Philharmonic Orchestra conducted by James Judd with Howard Shelley, piano. Rossini, Rachmaninov and Tchaikovsky. Barbican Hall (Thur).

Ronnie Scott's, Frith Street: Singer/entertainer George Melly with John Chilton's Feetwarmers. (439 0747).

PARIS

Choeur National, Soloists and instrumental ensemble conducted by Jacques Grimbert: Midnight Mass. Schütz, Grimbert, Du Mont, Gabrieli. Carols (Mon 10pm). Saint-Roch Church.

Enesco Quartet, Hanna Schaer, mezzo, Jean Koerner, piano: Duparc, Lekeu, Respighi, Schubert (Thur). Radio France, Grand Auditorium (524 1516).

NEW YORK

Carnegie Hall: New York String Orchestra, Alexander Schneider conducting Haydn, Handel, Mozart (Mon midnight). (247 7459).

WASHINGTON

New York String Orchestra (Concert Hall): Alexander Schneider conducting. Handel, Haydn, Mozart (Wed). Kennedy Center (254 3776).

VIENNA

Biedermeier Ensemble, Bach, Vivaldi, Mozart and national Christmas songs. Evangelical Church. Dorotheergasse (Mon).

Martin Ricker, organ. Christmas music from Bach and Franck. Lutheran Church, Dorotheergasse (Tue).

NETHERLANDS

Amsterdam, Concertgebouw. Bernard Haitink conducts the Concertgebouw Orchestra, with Roberta Alexander, soprano, and Jard Van Nes, contralto. Mahler's Second Symphony (Tue); a Bach matinee from The Netherlands Chamber Orchestra under Rudolf Werthen, with Istvan Parkanyi, violin, and Elly Ameling, soprano (Wed). In the Recital Hall (Wed), Colin Carr, cello, plays Bach. On Wed evening a Tchaikovsky programme with the Amsterdam Philharmonic conducted by Anton Kerstjes, with Vera Beths, violin, and Anna Bijlsma, cello. (718 345).

Rotterdam, de Doelen. Chopin recital by Stefan Askenase (Wed, Matinee); Amsterdam Philharmonic conducted by Anton Kerstjes with Vera Beths, violin, and Anna Bijlsma, cello. Tchaikovsky (Thurs). (142911).

Utrecht, Muziekcentrum Vredenburg. Two matinees (12 and 3pm) by the Utrecht Symphony Orchestra conducted by Ronald Zollman. Mozart, Hummel, Tchaikovsky (Tue). (314 544).

TOKYO

Beethoven's 9th Choral Symphony: A special Japanese year-end tradition: New Philharmonic Orchestra, conducted by Ban Ario, Shinjuku Bunka Center (Tue). (0474 76 0141).

Tokyo Symphony Orchestra, conductor: Akiyama Kazuyoshi; Tokyo Academy Chorus includes Vivaldi. Tokyo Bunka Kaikan (Wed). U-Port, (Thur). (362 6764).

Shinsei Nippon Symphony Orchestra, conductor: Kazuo Yamada. Beethoven's 9th preceded by Haydn. Shinjuku Bunka Centre (Wed, Thur). (985 4836).

Japan Philharmonic Orchestra, conductor: Herbert Kegel. Beethoven's 9th, Egmont Overture. Kosei Nenkin Hall (Wed, Thur). (234 5911).

New Japan Philharmonic Orchestra, conductor: Seiji Ozawa. Tokyo Bunka Kaikan. (Thur). (499 1531).

Christmas Oratorio/St John's

Andrew Clements

The orchestra and choir of St John's Smith Square under their conductor John Lubbock have got good mileage out of their preparation of Bach's *Christmas Oratorio*. *Wednesday's* complete performance at Smith Square followed accounts of Parts 1 and 2 in lunchtime concerts at the Barbican earlier this week; the series is completed with Part 3 today.

It is a capable, unexceptionable account of the six cantatas that make up the oratorio; there are some most effective moments and some lovely obbligato playing, but never quite the conviction that should bring the work to dramatic life. Mr Lubbock uses a choir of 40 voices, and an appropriately scaled orchestra; otherwise the performance makes no pretence at any kind of authenticity. Perhaps at this time of year the traditional approach, sung from the vocal scores of the well worn Novello edition, is most appropriate.

There was the overall feeling, though, of opportunities lost. With a chorus of that size Mr Lubbock ought to have obtained a greater variation of texture, a livelier spring to the rhythms; his action and broadly conceived interpretation sometimes gave the impression he was conducting massed choirs in the Albert Hall.

When, as in the opening chorsu of the third cantata there was more life and cleaner articulation, the difference was enormous.

Despite a rather dogged continuo, many of the arias were graced by the instrumentalists, with Paul Archibald's trumpet and Judith Pearce's flute outstanding. Alison Hargan's bright soprano was the pick of the solo voices; the remainder—Linda Strachan, Wynford Evans and Michael George—turned in serviceable contributions without ever suggesting the occasion was anything out of the ordinary.

Puss in Boots/Players' Theatre

Martin Hoyle

No television jokes ribald or raunchy mar the pantomimes of J. R. Planché—prolific penner, happier with this labour than *Oberon's* libretto for poor Weber. Admirers of the art must make a beeline down to Charing Cross's well-shod feline: there pantomimic patrons meet a gay fate thanks to the *purrfect tail* of Maureen Braithwaite. Chocolate of hue, though eyes and teeth flash white, this fuzz-haired prick-eared Tom is a delight. Sweet-voiced and *purrily* comic (never mind corn), we hear she is engaged for next year's Glyndebourne.

From mill toroyal court and giant's den R. Wooley's *mise-en-scène* can *whisk-us*, then, having designed the tuppence-coloured set, he plunders songs from scores by Donizetti. Moreover, puss sings *(magnifique chat!)* new words to "Una voce poco fa." Beethoven, Mozart, Handel also—true—it takes in songs by British Orpheus, Blewett.

As *furry* queen Felina Miss McCready, long-tailed, with wish-bone wand and cat's eyes beady, fully justifies her famous name and never lets us miss a male dame. Miss Hibbert's Princess Rosebud is well girt with maids of honour who just long to flirt; while Nigel William's hero, glad to say, is not the one who writes the odd bad play.

Messrs Bregonzi, Orchard *et al sim*, and Maestro Geoffrey Brawn (our thanks to him) recall, with zestful brio unimpeded, the year when *she*, unequalled since, acceded. If 1837 was evoked, then not in vain the Players sang and joked.

The Magic Flute/Grand, Leeds

Rodney Milnes

There is no "right" way to do the *Flute*, which is why people keep on trying, but some ways are righter than others. Graham Vick's new production for Opera North starts and ends curiously. The serpent pursuing Tamino is an enormous black man in an exiguous and vaguely fetishistic costume, which seems a dengerously specailised, not to say distasteful visual representation of the libido. Alert viewers might have seen a clue to the denouncement when the same supernumerary later helped to carry Sarastro in; at the end both bass and chorus are invisible while Pamina and Tamino perform an obscure dumb show signifying rejection of Sarastro — Tamino crossly breaks the flute and Pamina only accepts him once he has returned to his pre-trial costume.

Such simplistic concepts as darkness and light, good and evil, are rejected: Queen and Sarastro are not to be thus categorised but are merely part of life's rich tapestry of experience, to be learned from in equalproportions . This may be all well and good for 20th-century sophisticates, but unfortunately has little to do with the opera that Mozart and Schikaneder wrote, and courts rather avoids the danger of making Sarastro seem a thundering old bore. This is one of those clever-clever productions that is depressingly irrelevant to the matter in hand.

It was also poorly executed. Wednesday's first night started 20 minutes late "for technical reasons"—ie, it wasn't ready—and Russell Craig's designs, based on two flying walkways, organ pipes for Sarastro and a ponderously peripatetic false stage, looked heedlessly over-complicated for a staging that has to tour. One suspected an outbreak of the Bayreuth syndrome, that more time had been spent on technical problems than on directing the singers, who often looked at a loss. The performance was dour, lacking the humour and warmth without which the *Flute* is netx to nothing.

There was coolness, too, in the conducting of Peter Hirsch, making his UK debut. Speeds were brisk, which is fine, but the phrasing was unfeeling, which is not; there was nevertheless some neat playing from the excellent Northern Philharmonia. From an ill-at-ease cast (Alan Watt's Papageno oddly subdued, Geoffrey Moses's Sarastro slightly muted) two bright performances stood out: Jane Leslie Mackenzie as a first-rate Pamina, sweet of tone and phrase yet never a milksop, and Laurence Dale (Tamino), who sang strongly and dealt tactfully the "oh gosh" comic-strip estyle in which he was made to deliver the dialogue.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
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Monday December 24 1984

Two prophets re-examined

WITH JUST a week of 1984 remaining, it is no longer rash to suggest that George Orwell's famous work should be honoured as literature, relished as a description of a totalitarian state, but discarded as prophecy. Indeed, we should thank Orwell for deflecting the very future that he envisaged. The image of Big Brother has acted as a powerful antidote against the use by Western governments of communication and data processing technology to keep tabs on their populations.

If truth be told, it is an earlier work of futurology, Brave New World by Aldous Huxley, which came closer to envisaging some of the ingredients of progress that Western European societies face today. For instead of constructing a political nightmare and buttressing it, somewhat crudely, with an intrusive version of two-way cable television, Huxley wrote, in his own words, "about the advancement of science as it affects human individuals." He was more interested in what technology in itself would make possible, or inevitable, than in how it might be harnessed by dictatorships. And, as it happens, Huxley's approach has come nearer the mark.

Huxley was writing in 1931 about a world 600 years in the future. But some elements of his vision have become realities in a fraction of that time. Test tube babies and genetic engineering were the most important pillars of the caste system of administrators and workers that ran his Brave New World. Neither have arrived, but both are clearly visible on the horizon. Technological leisure, contraceptive sex from an early age, synthetic music, video and drugs kept the people happy. All of these hover around us today. There was a depressing, homogenised perfection about the world Huxley envisaged. Today in supermarkets and in the familiar chain stores that move into our town squares we sense the same rise of economic logic over colourful inefficiency.

Yet Huxley also shared some of Orwell's misconceptions. Both men associated the emerging technologies with centralised economic planning—a grimy big lie in Orwell's case and a provider of shiny plenty in Huxley's. Both failed to see that as human existence becomes more complex, the ability of a central system to plan for its myriad desires becomes steadily more impractical. Of course, in Orwell's case, fear was on hand in sufficient measure to suppress any expression of economic discontent, but none of the superpowers in his world posed a free market challenge to the centralised approach.

Equally, in the visions of both writers, acceptable patterns of behaviour were imposed upon the populace from above by powerful rulers. Huxley realised technology could be insidious in its appeal, but nevertheless he envisaged its joys being inculcated into people by means of subtle therapies in early childhood. Neither writer saw that it would be the working of the free market that would inject technology into peoples' lives. Believe it or not, people now choose to do morning exercises in front of the green goddess on the tele screen—they are not ordered to do them by Big Brother's agents. They gravitate naturally towards materialism without having to be told from on high that they should like it.

Technology has, indeed, proved to be a two-edged sword in its contribution to the power of government. It has thrown up such powerful weapons that developed countries now fear to fight one another in case the consequences prove uncontrollable. It has made possible such flows of information and finance between countries that the economic sovereignty of governments has been undermined. Some of its creations—the telephone, the home computer and word processor, the facsimilie machine—are seen by authoritarian regimes as threats to their hold.

Above all, technology has recently created such a pace of economic change that governments find they are less and less able to plan or control the impact that this change has upon their countries. There is a tide of economic liberalism running through Europe. Even in China the somewhat Orwellian system is cracking as free markets beckon.

Reviewing his own work in 1946 Huxley kicked himself for not having foreseen nuclear energy: he said then that this new source of energy would make totalitarian government inevitable. He shared the 1930s obsession with turbo generators as the humming embodiment of centralised power. Yet this was really a dying obsession, the last remnant of the economic revolution which had resulted from the advent of motive power 150 years earlier. Orwell, writing 18 years later than Huxley, had a first inkling that the power which would bring about the next revolution would be data handling power measured not in kilowatts and joules but in baud and kilo-bytes. But he did not see that it would destroy mental work just as the earlier revolution had destroyed manual labour.

Had both men known, they might have avoided another shared misconception. This was the accent on communal activity in their respective visions, whether it was Orwell's "group hate" or Huxley's community sing-ins and love-ins.

The electronic revolution has certainly made it easier to get in touch with each other. But curiously it has undermined proper human contact. It has allowed people to live more isolated lives, in which television provides them with a pale substitute for genuine community friendship.

Huxley's book was about a romantic savage in revolt against the ordered perfection of the Brave New World. The savage was in search of the "right to be unhappy, the right to have too little to eat, the right to live in constant apprehension of what may happen tomorrow." We are still a long way from the luxury of such a whim. There are many millions of Europeans for whom technology has delivered precisely these rights, along with unemployment, alienation, and loneliness.

Europe's non-totalitarian governments are therefore forced to tread a dangerously narrow path between realism and lack of compassion. They are right neither to have, nor to foster, illusions that they can secure wealth and determine their peoples' employment under circumstances of such change. They equally have to be extremely careful to hold together that perception of common good which underpins the rule of law and prevents liberalism unravelling into anarchy.

Compassion, whose birth as a religious ideal is celebrated tomorrow, was absent from Orwell's and Huxley's future worlds, suppressed and replaced by fear in the one, and miraculously rendered obsolete in the other. In Europe, in the real 1984, compassion is not obsolete. It is a vital requirement of every section of society, including government, as our countries ride, rather than resist, waves of technological and economic change that are breaking up the established patterns of so many peoples' lives.

UK miners' strike

By Christmas 1926, the miners were back at work. But some of the parallels with 1984 are bewitchingly close...

By John Lloyd, Industrial Editor

Arthurs then and now: Scargill (below) is just as much given to hyperbole as Cook, the miners' leader in 1926

"I have given a pledge to my men that we will not accept peace at any price. I would rather see the organisation (the Miners' Federation of Great Britain) broken down and built up again than we should sign away the conditions our men ought to have."

—Arthur J. Cook, MFGB general secretary in Bootle, November 8 1926.

"We are profoundly disturbed in our consciences in regard to this dispute and . . . we are not prepared to assign the blame to one side only."

—Bishops of Southwark and Winchester. Letter to The Times, May 3 1926.

". . . It is a conflict which, if it is fought out to a conclusion, can only end in the overthrow of parliamentary government or in its decisive victory (cheers). There is no middle course open."

Winston Churchill, Chancellor of the Exchequer, speech to House of Commons, May 2 1926.

ARE THESE words, easily transferable across six decades, proof of history repeating itself, in Marx's obscure phrase, for the first time as tragedy? Is the wheel of 1926 — of cutback in the mining industry at a time of rising unemployment, militant resistance, half-hearted support, Government resolution and ultimate crushing defeat—simply turning once more?

By Christmas 1926, the miners were back at work, most of them on an eight-hour day (compared with the seven-hour day worked previously) and most had suffered wage cuts as the national agreement gave way to district agreements. Many thousands who had been on strike could not get their jobs back: the mining areas remained in deep poverty for years after the seven-month mining strike of 1926 ended.

This year, television will bring Christmas day in the miners' welfare into almost every home: film stars have appealed for aid and multi-millionaires have donated it: social security and working wives have mitigated the real starvation which faced the miners' grandfathers in 1926. *But are the two years otherwise tremendously different?*

The parallels are bewitchingly close. The miners struck in 1926 for a fearsomely long time—from May to the end of November, long after the General Strike called in their aid had ended. The Baldwin Government was as publicly anti-interventionist os the Thatcher one: it, too, took the industry's side against the miners, though with at least as many qualms.

It is in the characters and behaviour of the "two Arthurs"—Arthur Cook, the *MFGB* secretary and Arthur Scargill, the National Union of Mineworkers' present, that the similarities become so close as to melt away the years (the NUM president is wholly conscious of this: Cook is his hero). Cook, who broke his health flogging himself round the coalfields from mass rally to packed meeting, was by all accounts an extraordinarily powerful orator—and one given to just as much hyperbole. In speeches on November 1 at Leigh and Pendleton in Lancashire—as *the first signs of the* massive "drift back" to work were becoming evident—Cook told his members:

"It is not surprising that some of the miners have *got* broken, but, although the struggle has lasted so long, the miners as a whole have not lost faith in me and Herbert Smith (the MFGB president) and our colleagues. You have been fighting against the legions of Hell. You have been fighting against the Government and all the forces of the state and even some of the trade union leaders. You have been left isolated in a struggle for the benefit of the whole of the working class movement."

When, towards the end of November, the MFGB members in a remarkable display of defiance as defeat stared them in the face, voted against settling on the Government and coalowners' terms (which were to result in a lengthening of the working day and a drop in wages for most of them). Cook called it "the most remarkable result in the history of the *working class movement*"—exactly the kind of phrase employed by today's Arthur.

Cook was a left-winger, even a Utopian: he distrusted, and was distrusted by, the largely right-wing socialists who dominated the TUC and the Labour Party. Like their present-day counterparts, they believed that he and Smith had done little to woo the Labour movement's support; that they had taken a stupidly intransigent line; and that they were impervious to persuasion. Cook *thought they were traitors.*

The most prominent trade union leader of the time was Jimmy Thomas, general secretary of the Railwaymen and MP for Derby (Ernest Bevin, secretary of the Transport Workers, was a rapidly rising star). Thomas, a Colonial Secretary in the first Labour Government of 1924, was a reluctant militant who strove mightly to avoid the General Strike and then to get it called off. He was attacked by the miners and the left, led by the small but furiously aggressive Communist Party, as the main betrayer—though no-one went so far as to dangle a noose in front of him—and he had at least as many supporters in the Labour movement as detractors.

On November 25, as the miners' strike petered out miserably with nearly half of the 1.1m miners back at work, Thomas went to his Derby constituency to give a speech which was largely a reply to attacks against him by Cook. He frankly admitted that he *had* opposed a general strike: *had* opposed a *compulsory levy on the unions* to aid the miners and *had* opposed an embargo on imported coal. The Times' Labour Correspondent wrote: "Mr Thomas remarked that he had been condemned for pleading for peace and co-operation in industry (A voice: 'You are not condemned'). I 'know I am not condemned by the great masses. *I am abused by a number of* people who mistake thunder for lightning'."

The MP did not dignify Cook by mentioning his name, but with the miners' secretary clearly in his sights, he said he was "unworthy to have had the sacrifice of such a noble body of men. After all, the great mass of the working classes of this country will not judge by *words. They will judge by* deeds, they will say to him—'Have you delivered the goods?' When that question is asked, there is only one answer: 'No, I have failed, because I was incapable of understanding the psychology of the British people'." In his frankness, his ability to take abuse on the chin, his search for industrial reconciliation between management and worker, Thomas has his successors among the leaders of trade unions today.

Then as now, the TUC had a new and untried general secretary: indeed, Walter Citrine was still officially "acting" secretary. He had little purchase on the liaison between the TUC barons and the MFGB leadership—*though he alone* pressed, unsuccessfully, for the council to prepare for the general strike for which the Government already *was* prepared. Later, he had to try to bind the wounds: after a conference of trade union executives in January 1927 had endorsed the general council's handling of the dispute by 2.8m votes to 1m—of which 800,000 were the miners—Citrine told the critics that the unions had to "sit down and look at the thing objectively: until we do that neither getting rid of your leaders nor delivering the head of Jimmy Thomas on a charger will be of any avail . . ."

Citrine, who with Bevin was to dominate the TUC for the next two decades, revealed in that strike his capacity for *rational thought as others* panicked: writing in his diary on May 12, as the general strike ended, he said: "Never again will the Congress undertake the custodianship of any movement without the clear, specific and unalterable understanding that the General Council, and the General Council alone, shall have the free and untrammelled *right to determine policy. How* can we, with the millions of interests and considerations to review, allow our policy to be dominated entirely by the considerations of one union only?"

The wounds, then as now, were not confined to the leadership: The Times' indefatigable Labour Correspondent wrote on November 1 that "as a consequence of *the action of* extremists on the Nottinghamshire miners' council, a strong section has broken away and has called a special meeting for tomorrow when Mr G. A. Spencer will be present." It was the beginnings of the breakaway, or "Spencer" union, under the leadership of a local Labour MP: it came as the "drift back" to work was already gathering strength, particularly in Notts. By November 5, the Notts mineowners had agreed to meet Spencer so that he could "furnish some assurance . . . that he has the backing of the majority of the men." He had: the union split, not to be sewn together again for 20 years.

The "drift back" pattern in November corresponds remarkably closely to today's: by November 8, over 96,000 of the 181,000 Nottinghamshire, Derbyshire and Leicestershire miners had returned to work, as against only 17,400 out of 225,000 in Northumberland and Durham.

The issue of "Red Money" (so called in The Times headlines) was the 1926 equivalent of Libyan aid—the TUC sent back a 2m rouble cheque paid to it during the general strike by the All Russia Federation of Trade Unions, but the miners kept *their* Soviet aid: and as the miners' strike ended, a debate was begun over the powers of trade unions, culminating in the 1927 Trade Union Act which prohibited sympathetic strikes and provided that union members had to "contract in" to the political levy, rather than "contract out," as before.

Seductive as they are, though, the similarities are less instructive than the differences. The miners in 1926 were the largest single bloc of workers in the country by far, and the biggest TUC affiliate; the union leaders were tentative, even deferential in their approach to Government; the privately-owned coal industry was demanding sweeping cuts in living and working standards.

Most important of all is the attitude of the rank and file. The General Strike was very solidly supported by all sections of workers involved; there is good cause for saying that it could have lasted longer, and become even more effective as more and more workers were called out, had the leadership not drawn back from what they—perhaps rightly—feared would turn into a revolutionary situation (the small but feared Communist Party thought it would). Yet the workers who were out, especially the railwaymen, were in many cases angered by being sent back to work by their unions before the miners' cause had been won (though their leaders told them it *had* been won). Today, evidence of *rank and file* support for the miners is hard to detect in most industries (except, again, the railway workers)—and any future allegations of "betrayal" must take account of that.

Then, as now, any talk of revolution seems absurdly overblown, even though some of the movement's leaders and activists may entertain it. Beatrice Webb wrote in her diary the week after the General Strike ended: "A strike which opens with a football match between the police and the strikers and ends in unconditional surrender after nine days with densely packed reconciliation services at all chapels and churches . . . will make the Continental Socialists blaspheme . . . If only our revolutionaries would realise the hopelessness of their attempts to turn the British working man into a Russian Red and the British businessman and country gentleman into an Italian Fascist . . . We are all of us good natured and stupid folk. The worst of it is that the governing class are as good natured and stupid as the *Labour movement!*"

Good natured and stupid folk? Has that changed?

Men and Matters

Salvaging expertise....

"It is stupid to own ships in Sweden or to try to compete, using vessels manned with Swedish crews," says Peter Gyllenhammar — no relation to the captain of Volvo — who is heading the attempt to salvage something from the SKr 6bn (£576m) wreckage of the country's biggest shipping company, Saleninvest.

"The tonnage should be owned by tax-sheltered investors, rich dentists in Germany who can use the tax advantages, and the ships should be foreign crewed."

Gyllenhammar, a 31-year-old financial comet in Stockholm's business world, has guaranteed SKr 100m in new equity capital for the formation of a company *that would take over at least* Saleninvest's management expertise in operating refrigerated cargo vessels — so-called reefers.

He sees promising opportunities for future business. "In Sweden, we are good at creating and managing transport systems. That will be the task of the new company," he says. "*Its assets will be the expertise* of the staff. It will own no ships. It will be a sophisticated brokerage house."

Gyllenhammar, himself, is no stranger to bankruptcy. One of his early ventures, Trend Invest, formed shortly after he gave up business college in favour of a more practical route to fame and fortune, went bankrupt during the 1970s.

But Gyllenhammar showed a good sense of timing. He got out about six months before the collapse.

.... in Stockholm

The plans for refloating a small part of Saleninvest *were* being optimistically announced on the seventh floor of Stockholm's Salen House — sold earlier this year to help pay some of the company's bills — while two floors above Sven H. Salen, the group's chairman, was still sadly reflecting on the bankruptcy.

His explanation of Sweden's biggest corporate failure since the Kreuger crash of the early 1930s: "Most of business is about taking risks — but obviously we took the wrong risks."

Next year would have been Saleninvest's 70th anniversary. But with operating losses running this year at nearly SKr 1bn on top of the accumulated debt, the group was unable to bail out fast enough to stay afloat any longer.

Sven Salen, *founder of the* group, died in 1969 with the company in strong financial shape. But he, too, had sailed close to bankruptcy twice in the early days and had to rely on the support of a sailing friend, Jacob Wallenberg, of Sweden's banking dynasty.

The secret of Sven Salen's success was bananas. Still an *exotic fruit in the 1920s,* bananas became one of the staple cargoes of the group and helped the Olympic sailor — he won a bronze medal in the 1936 Olympics — to build the world's largest refrigerated cargo business.

Saleninvest has operated up to 100 reefers, carrying around 25 per cent of the world's bananas and 30 per cent of its citrus fruit.

For the brothers, Sven Hampus and Christer Salen, who took over the business from their father at the end of the 1960s, new horizons beckoned. They took Saleninvest heavily into super-tankers and dry bulk cargo. But since the halcyon days of *the early 1970s* were abruptly ended by the first oil crisis, life has been one long battle to stem mounting losses.

This year, with reefer operations, *dry cargo, tankers and oil* drilling all losing money heavily, the leaks in Saleninvest finally became too big to plug.

Gravy train

Now that China is officially turning towards private enterprise to solve its economic problems, Chinese railwaymen are losing no time jumping aboard the gravy train *(if you will* pardon the allusion).

Crews on one of China's crack expresses are promoting commercial deals. This they do by introducing businessmen travelling on the service to each other. A sort of merchant banking operation on wheels . . .

After lunch on the 23-hour ride from Peking to the southern city of Changsha the head steward announces over the loud-speaker that interested people should come to the dining car to discuss possible *business deals.*

The crew also keeps records of who wants to buy or sell various products so that parties can be matched.

The New China News Agency has been looking into this mobile dealing and reckons the train crews have promoted 40 deals worth about $180,000 between businessmen who otherwise would never have met.

Hot air

Newly appointed chairman of Air New Zealand, Hugh Fletcher, who also runs the country's largest corporation, Fletcher Challenge, is unlikely to want to talk business over the family Christmas dinner table.

For he and elder brother, Jim, now head companies which are locked in a *courtroom battle* over the sale of a 47 per cent shareholding in the New Zealand independent travel and airline company, Mt Cook.

Jim Fletcher, aged 40, is chief executive of Dominion Breweries, which is in the process of selling its 47 per cent stake in Mt Cook to the Goodman group, a fast-growing bakery and investment concern.

Air New Zealand claims it had a long-standing agreement that DB would offer it first chance to buy the shares in Mt Cook, and it has taken out an injunction to stop DB going ahead with the sale.

Hugh Fletcher, aged 37, points out that the Air New Zealand decision — "which I am sure was the right one" — was taken before his appointment as chairman. And he would prefer to leave the argument to the court.

His new post seems to carry a certain amount of contention with it. Bob Owens, his predecessor at Air New Zealand, has revealed that twice during his three-year term as chairman, he wrote out his resignation because of Government interference in the person of former Prime Minister, Sir Robert Muldoon.

Share out

A small bank in Germany, looking to make a profit from the British Telecom flotation, was advised to make individual applications for shares in the names of its clients.

The bank duly did so — and included the clients' addresses to provide authenticity.

But the bank, having picked the sames of clients with a cash balance from the ledger, did not bother to inform them, apparently unaware that allotments plus return cheques would be sent directly to them.

Result: a number of Germans, some of whom had never heard of BT, were first surprised . . . and then delighted by the 800 shares that the post*man* delivered.

The bank lost its prospective profit. But its own stock must have risen with the customers who pocketed the windfall.

Run to seed

A former university running blue tells me that he finally had to admit last week to the onset of middle-age. While being measured for a suit, his tailor observed: "*Have you noticed, sir, that you breast the* tape much lower now than you used to?"

Observer

THE CHURCH, THE GOVERNMENT AND ECONOMIC POLICY

Serving God and Mammon

By Anatole Kaletsky

"TO MY great regret, I have to add the Christian churches to the list of those whose social outlook now contributes to the subversion of capitalism." When Rev Edward Norman, the Dean of Peterhouse, Cambridge, and a leading Conservative historian, made this provocative assertion in 1977, few of his listeners could have taken him seriously.

For at least 200 years, the Western world has generally regarded religion as a politically conservative force: for Karl Marx it was an anti-revolutionary "opium of the masses"; for the great sociologist Max Weber, the Protestant work ethic was an indispensable catalyst for the creation of capitalism; for the British gentry, the Church of England was nicknamed "the Conservative Party at prayer."

Yet today, Dr Norman's prediction appears to be coming true. In America, Roman Catholic bishops are clashing with the Reagan Administration on everything from nuclear weapons to takes. In Britain, conservative back-benchers are openly mocking the Church of England hierarchy as "muddled old men" and howling for the Archbishop of Canterbury to "eat coal in public," as a penance for his comments on unemployment and the miners' strike.

What accounts for this sudden outbreak of hostilities between church and state? The British Government has no problem providing a superficial explanation: the bishops are unworldly, sentimental and politically naive, and it is the Government's duty to make the nation, including the Church, face reality.

Disturbing emphasis on market forces rather than values

The Bishop of Durham, for instance, deplores "being told that the way we can love our neighbours is determined by 'economic realities'." Taken in isolation, a phrase like this might seem to beg for the kind of rebuke delivered last month by Mr John Selwyn Gummer, Chairman of the Conservative Party. The authority of bishops is spiritual, not technical, he said. "They can no more pontificate on economics than the Pope could correct Galileo on physics."

Mr Gummer's riposte does not stand up to examination, as any undergraduate who has written an essay on "why economics is not a science" can readily attest. But a few years ago, the dialogue of the deaf between hard-faced Conservatives and sentimental churchmen might have petered out at this point; with the politicians muttering "render unto Caesar" and the clerics intoning warnings about "serving God and Mammon."

Today, however, some people on both sides of the argument about capitalism and Christianity are moving beyond the mechanical repetition of biblical sayings.

As politicians have attempted, at least in principle, to extend economic ideas to broader areas of public life, the churches have concluded that they must "make economic matters a central concern in ministry and teaching," in the words of the U.S. Council of Catholic Bishops. In Britain, bishops are learning enough economics not only to refute the Government's claim that "there is no alternative" to current policies, but also to argue that absolute certainty about any single economic theory is "a false faith—in fact an idolatry," according to the Bishop of Durham.

As disturbing for the churches as the concrete results of new economic policies, has been the emphasis on market forces, to the exclusion of other values, in the rhetoric of the Thatcher and Reagan governments.

To some secular Conservatives it may seem presumptuous or irrelevant for clerics to be arguing about the applicability or otherwise of market forces to secular areas of human life.

But there seems to be no denying the theological validity of this exercise. What is most striking about the whole debate over capitalism and theology, is that serious Christian economists who have approached the issue from the opposite direction—as apologists for the market-oriented policies pursued by the Thatcher and Reagan governments — have reached a conclusion which is formally similar to that of the bishops: from a Christian standpoint, some limitations on the free play of market forces must be imposed by society.

Dr Jenkins, Bishop of Durham (left), Mrs. Thatcher and Dr Runcie, Archbishop of Canterbury.

This conclusion is firmly established, for example, by Professor Brian Griffiths, Dean of the City University Business School and a longstanding advisor of Mrs Thatcher's, in what must be one of the most sophisticated and convincing justifications of capitalism in Christian terms, *The Creation of Wealth*, published last month.

Professor Griffiths shows that a market economy, even with large inequalities of wealth and income, can be perfectly consistent with Christian principles. But where he differs, at least in principle, from many secular conservatives is in emphasising that the justification for capitalism is strictly conditional.

For a market economy to be compatible with Christianity, society must make certain conscious decisions to interfere with market forces — by redistributing some income to the poor, for example. Just as importantly, there must be a deliberate effort to curb the impact of the market at the spiritual level: to limit the ethos of individualism which is "alien to a Christian understanding of man;" and in the broadest terms to "rescue the market economy from a capitalist ideology" which represents economic life "as something impersonal and amoral."

In concrete policy terms, this kind of Christian conservatism may not differ much from the approach of the Thatcher government. Yet the inherent tension between the individualistic market ideology and the principles of Christianity appears to trouble Professor Griffiths as much as the bishops.

This tension arises from two divergent strands of biblical teaching on the material world. On one hand there are the frequent calls for social solidarity and mutual support in both the Old and New Testaments.

On the other hand, there is the sanctity of property—implied by the Commandment "thou shalt not steal"—and another principle, which Prof Griffiths and other Christian economists consider even more fundamental: this is man's duty of "stewardship" over the earth, which requires him to make the most productive possible use of nature's resources.

However, in establishing the sanctity of private property, the Old Testament also imposes some duties and retraints on property owners which even the Militant Tendency in the British Labour Party might find extreme. Leviticus provides, for example, not only for taxes to feed the poor, but also for the cancellation of all debts between Jews every seven years. In every fiftieth year, called the Year of the Jubilee, all agricultural land which has been bought or sold in the preceding period reverts. free of charge, to its original owners.

The justification for such redistributive measures is firstly that all land is God's and men are "but aliens and tenants"; secondly that no family should be permanently deprived of the capital required to earn a livelihood, even through its own improvidence or bad luck. Although there is no evidence that a Jubilee ever actually occurred, such redistributive social policies were clearly meant to be taken seriously.

This kind of hedging on the *principle* of private property, even before Christ's much more pointed warnings of "woe unto you that are rich," leaves the *practice* of "stewardship" at the heart of the Christian justification of capitalism. Markets are compatible with religion because history shows that they provide the best means of generating wealth known to many.

The political side of this stewardship is equally important according to Christian conservatives: history suggests that political systems which undermine private property rights are also incompatible with the freedom of will which is divinely ordained for mankind.

In fact, the contrast between the material prosperity and spiritual freedom of capitalist countries, with the political and economic oppression of Eastern Europe. or the starvation and inhumanity produced by the collectivist experiments of the Third World, is really the main argument for Christian capitalism.

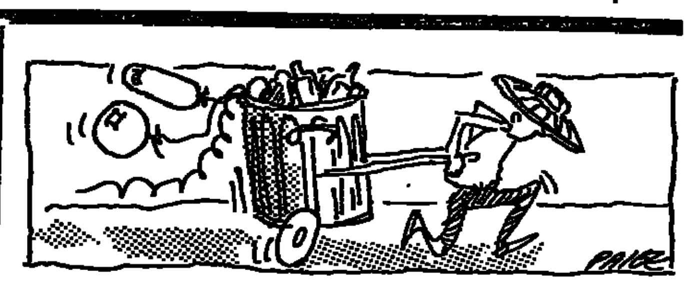
But what happens to this argument if capitalism stops working, or if it emerges that capitalism and collectivism are not the only options? The debates on economics among Christians turn out ultimately to revolve around these questions, just as they do among the secular public.

Professor Griffiths believes, with many secular Conservatives, not only that the market system stil works and that it would work even better if the government curbed even further its economic role, but also that the "mixed economy" of the 1960s and 1970s was an unstable phenomenon — interventionist and inflationary policies were about to set off a slide towards collectivist socialism, which might well have proved irreversible. The Church, in contrast, appears to believe that a mixed economy is both a better and a more stable solution than untramelled free enterprise.

So, to return to the issue which began this article, *is* the Church subverting capitalism by setting itself up as an Opposition to certain aspects of government economic policy? To the extreme Conservative who believes that Western society today is faced with an unambiguous choice between free enterprise and a drift towards collectivism, the answer may well be affirmative. To the Marxist, who believes that the imposition of full-blooded market forces on all aspects of society will only accelerate the demise of capitalism, the Church with its calls for moderation, is simply fulfilling its historically reactionary role.

The main argument for Christian capitalism

And to the Church itself? As the Archbishop of Canterbury said in his widely derided Times interview — the Church, as always, is seeking "a middle way."



Three Wise Men and the garbage

By Jurek Martin in Tokyo

TOMORROW IS Christmas. Out here, it is also Tuesday, which happens to be garbage day, and it would be remiss not to report that the three Wise Men of Chiyoda-ku—two dustmen and the head of the sanitation department—are unmoved by the seasonal spirit. Translated into praticalities, this means that the joy of Christmas is somewhat overshadowed by the awful problem of what to do with its leftovers.

We have nothing against the garbage-men of our borough, or any other, anywhere, come to that. Ours, fine upright citizens all, are clearly convinced that the modern greatness of Japan rests on the ability of the whoue population to separate, religiously, burnables and non-burnables, only to put outsize disposables for collection on Mondays and never, never, to leave anything out on the street the n ight before. Unfortunately, the residue of the alien custom of Christmas is outside the scope of the rule-book.

Not that Christmas is unobserved here; indeed, the Japanese have taken to it in a big way, though, rather like their adoption of baseball, it is more the form than the substance that counts most. We have trees, Beethoven, Handel, and reindeer songs (in Japanese) on pop radio, more frozen turkeys than even the most depressed U.S. trade negotiator could dream of, and cards of unimaginable variety and quality. (These received this year from a Mr Toyoda, who runs a car company, and a Mr Shinto, believed to be connected with telecommunications, are an exquisite marriage of the Japanese and the Christian.) Anyway, this is year-end bonus-time in Japan and Christmas is as good a commercial hook here as anywhere.

But, inescapably, we are drawn back to the equally universal problem of the leftovers.

In most of the rest of the world — Europe and North America will do for starters — any household's relationship with its dustmen lies somewhere between fear and money. It is also seasonal: the right inducements before Christmas can bring peace and cleanliness for another year; inadequate recompense means yesterday's fried egg in the petunias.

Not so in Japan; here, tipping, regardless of the season, is generally an insult. Year-end presents are given, but invariably to those from whom favours and patronage, but not services, have been recieved. This means not only that the dustmen do not get anything, but that they might well find themselves apologising in person if so much as a single milk carton was inadvertently overlooked the previous May.

But only so long as the game is played by the rules—and they set them. They do not, for example, embrace dead Christmas trees—as we found out, in protracted guerrilla warfare, a year ago. An average tree is both outsize (Japanese garbage trucks are small) and burnable, so, at 8.45 am on the first Monday after last Twelfth Night, we put ours out with what was left of the brandy butter (small, rancid, but extremely flammable). The latter went, but not the former. A charade worthy of Jacques Tati, the French comedian, then ensued. Each week we chopped off a few limbe, but to no avail. It must have been finally in May, after we had gone through three of the Swiss army knives with the little saws, that they finally deigned to take it away.

We knew we were beaten. This year, we have bought a live tree. When we finally leave Tokyo, we are going to present it—by then it may be 50 feet tall—to the Chiyoda-ku garbage department, with our sincerest Christmas wishes.

Letters to the Editor

Use of the veto in the EEC

From Mr A. Turner, QC, MEP

Sir,—Your leading article (December 6) on the EEC rightly says that the time has come to make decision-making in the Council of Ministers more efficient. The use of the veto on the pretext of "vital national interest" but in fact based often on the "flimsiest pretext" as you rightly describe it, must in some way be rendered practical and constructive rather than negative.

I believe the answer lies in a passage in the argument before the European Court of Justice which I heard in September, when the court was questioning the Council of Minister's representative during the European Parliament's case against the council for "failing to act" in the field of transport.

One of the judges said to the council representatives: "You say that the council has failed to act on these 35 draft transport directives because in each case one government or other blocked the action. Does this mean that the policy of the council in each case is that of the blocking member, and not of the nine in majority? Is the council no more than the sum of the 10 Governments?" The council representative replied: "I cannot answer that question."

From this argument in the court, I gained the impression that the sort of solution which the court would find acceptable is as follows: The council is pre-eminently the political institution of the EEC, made up of politicians expert in the practical problems of "the art of the possible." Therefore it is the duty of all members of the council to consider the practicability of any policy in all member states, and where a majority decides that a policy is not practical in one or a majority of member states, it should not attempt to force it on them by a vote.

This proposal is different from the so-called Luxembourg accord, under which a member state can veto something in its "vital national interest."

The court cannot approve the Luxembourg accord as this is wholly contrary to the Treaty of Rome, but the solution I have set out fits perfectly into the Treaty, and yet prevents the council indulging in the art of the impossible.

Amadee Edward Turner.
3, Montrose Place, S.W.1.

Taking care of Temple Bar

From the Chief Executive, Historic Buildings and Monuments Commission for England

Sir,—I read with considerable interest the comments of Mr Colin Amery your Architectural Correspondent, about Temple Bar (December 10). May I make one or two comments?

It is not accurate to say that the Historic Buildings and Monuments Commission was asked for its views on the application to move Temple Bar and reaffirmed the evidence previously given by the Ancient Monuments Board. In his letter, Lord Montagu, chairman of the commission, also said: "You may wish to know also that if the structure is left *in situ* the commission will be ready to discuss with the owners or trustees, the possibilities for its conservation and to help find a long term solution." It was on the basis of that statement that the Secretary of State decided to reconvene the Inquiry.

The article also says that "The commission took no serious account of long term protection of the monument, access, car parking or future maintenance." The position is that any course which the commission might follow to preserve the monument *in situ* is dependent upon prior decisions by others, eg the obtaining of consent by the Secretary of State or the offer of guardianship by the owners. The commission described a number of different approaches which would lead to the long term conservation of the monument in situ. If the commission were entrusted with the conservation of the monument it would undertake its duties responsibly with regard to the long term preservation of the monument and access by the public, as we do with all our other 400 monuments. Indeed, the commission said that it would not take the monument into guardianship if public access was not also available.

Finally, the article refers to "Some bizarre 'heritage' conspiracy to let Temple Bar rot in the sticks." I know of no such conspiracy and I can say categorically that the commission is not part of any such plan, nor would it be. If the monument came to the commission it would most certainly not be left to rot.

Peter W. Rumble.
c/o 2, Marsham Street, S.W.1.

Tang at the V & A

From the Keeper of the Far Eastern Department, Victoria and Albert Museum

Sir,—The opening paragraphs of the article "Rich reserves on the Chinoiserie shelves" (December 15) make a number of unjustified assumptions about the policies of the Victoria and Albert Museum and display a certain ignorance of Chinese art and history.

It is stated that the Museum "would have liked to have bought" the Tang horse, formerly on loan, which fetched £297,000 at Sotheby's. This is not so. The Museum made no attempt, either internally or externally, to raise the necessary funds since there was no desire to purchase the piece. There was no "incident," no panic. We were happy to have had the horse on loan, but not sorry to see it go.

An adjoining case already displayed two more horses of comparable interest and quality, while the sold horse has been replaced by an equally magnificent Tang camel from the Museum's own study collections.

The Tang dynasty lasted from 618 to c 910 AD, so it is difficut to see how the horse could be "well over 2,000 years old." The term Chinoiserie refers to European work in a supposed Chinese style and never to Chinese works of art.

Articles such as this reinforce a mistaken stereotype of national museums as institutions preoccupied almost entirely with acquisitions which try never to let loans on to the market. The chief current concern of this department is the raising of some £300,000 for a new gallery for its magnificent Japanese collections.

J. V. Earle.
South Kensington, SW7.

Restraint on wages

From the Research Officer, Trade Union Research Unit, Ruskin College

Sir,—We are touched by Maurice Scott's faith in the private employer, but not persuaded by the remedy he advocates for unemployment ("The vital anchor of price stability, December 12).

The question is not so much whether we can find a way to induce private employers "to act more firmly in all our collective interest to restarin wage increases" but rather to get any employers to recognise that such a thing as "collective interest" actually exists. If we could advance that far, the notion that wage restraint equals extra jobs would be seen for what it is—a desperate (but familiar) attempt to shift the blame for unemployment onto the backs of the employed workforce.

As to Mr Scott's claim that "smaller nominal wage increases in the private sector are now the single most important way in which unemployment can be reduced" we can find no real world evidence to support such a proposition. We know of no collective bargaining circumstances where the employer has offered to hire more labour in return for restraint in wage or salary increases. Conversely, we have plenty of examples, where the employer has induced wage/salary restraint by threatening to displace jobs.

The reality is that any increased profitability resulting from wage restraint tends either to be blown to the shareholders, invested in labour displacing capital equipment or worse still stashed away abroad. Collective interest? Phooey!

Denis Gregory.
Ruskin College,
Oxford.

The seller's sanity

From Professor R. Brealey

Sir,—Suppose that someone offered to sell you a valuable article and simultaneously promised to give you back whatever you paid. Your probable reactions would be twofold. You would doubt the seller's sanity. You would realise that there is no limit to the price that you would be prepared to pay.

By promising that money raised by TSB will increase the bank's equity, the Government is in danger of selling stock for which there is no finite equilibrium price. Fortunately, since an indefinite degree of underpricing is potentially embarrassing, it is gratifying that in the present case there is an equilibrium. This is the price at which the costs of the new issue exactly mop up the value of the TSB's initial equity.

(Professor) Richard Brealey,
London Business Schoole,
Sussex Place,
Regent's Park, NW1.

FINANCIAL TIMES

Monday December 24 1984

Terry Byland on Wall Street

Unsettled run up to Christmas

THE Christmas rally on Wall Street was beginning to look a little frayed round the edges by Friday, as the Dow Jones industrial average dipped below the magic 1,200 mark once again and about a third of Tuesday's spectacular 35-point jump was eliminated. True, the blue chips were rallying sharply at the close, perhaps in anticipation of the cut in the Federal Reserve's discount rate, which came after the stock market closed.

Still, the market never again saw the heights scaled at mid-week and turnover remained very high as prices slid lower. Some of the factors at work unsettling the market may have been purely technical. Year-end tax sellers were still around and, having spent the week discounting a discount rate cut, the market could only hang fire until the Fed made its move.

Moreover, Friday was the last day for trading December options or futures on stock indices. The expiry of these contracts may have brought some selling of underlying stocks, in which case the rebound in the final hour of Friday's session might be a bull pointer.

Economic data continued to provide a mixed lead, and the Fed's decision to cut discount rate to 8 per cent tended to confirm Wall Street's conviction that the board would sooner err on the side of relaxation than risk being blamed for inviting recession.

The Commerce Department's "flash" estimate of 2.8 per cent GNP growth in the final quarter and the 8.3 per cent leap in November's durable goods orders suggest a rebound in the economy after some hesitation a month ago. Last week's statistics on capital spending and consumer prices, however, seemed to suggest the opposite.

Observers closest to the front line – the retail stores and those who follow their fortunes – are keeping their optimism well within bounds. The pavements of Fifth Avenue are crowded with Christmas shoppers, but it is no secret that the stores have resorted to price-cutting – almost unheard of in the pre-Christmas fortnight – to boost sales in danger of flagging.

Retail issues played a very small role in the upsurge in the stock market at mid-week. Since the beginning of the month, department-store stocks have been out of favour. The price of J. C. Penney, third largest in the industry, has fallen by about 5.5 per cent – industrial stocks show only a slight gain over the month, but would look a lot better if the comparison had been struck on Tuesday night.

The performance of the discounters, led by K mart, has been slightly better and there has been an improvement in stocks of the small-ticket retailers. The stock of Toys R Us, the king of the toy business, which has designs on the UK market, has been going nowhere all month. NPD Group, a market researcher, estimates that non-electronic toy sales were up by more than a fifth at the end of October, but it is generally agreed that sales have been tailing off in the crucial weeks since then.

Friday brought slightly disconcerting developments in home computer stocks, which have been in the forefront of the sales strategies of the three previous Christmases.

Stock in Commodore International, the one-time pace setter for the industry, was heavily sold after Merrill Lynch lowered its rating on the stock. At the end of the day, the company admitted that returns for the Christmas quarter would be down because sales in North America were "slower than anticipated due to general market weakness."

This morning will see the stock market make its response to the Fed's discount rate cut. That may well bring the expected upward flick in stock prices, especially since traders will be unlikely to leave any positions uncovered over the Christmas break. However, even leaving aside some disappointment from the optimists who wanted the discount rate down to 7½ per cent, stock market buoyancy could prove short-lived.

The good news is now in the open and there is that much less to look forward to.

"I think this is the last easing we shall see for a while," commented one leading analyst after the Fed's announcement. Despite the Fed's conventional insistence that it was merely following the market's lead, Wall Street will regard the discount rate cut as a spur to the economy.

By the same token, the stock market will want to see results in the form of increased corporate sales and profits before jumping for joy. The discount rate cut is too late for the department stores, which will report the market's new year by disclosing December trading figures, on which more than half their profits depend.

AIRCRAFT MAKERS EXPECT PASSENGER JET SALES TO SOAR

Airline recovery fuels new orders

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

THE WORLD'S main jet airliner manufacturers are expecting the coming year to be their best for some time, as world airlines continue to recover from the recession and resume long-delayed equipment procurement.

Over the past year, the airlines in the Western world collectively placed firm orders for 334 new jets with the five leading manufacturers – Airbus, Boeing, British Aerospace, Fokker and McDonnell Douglas.

That compared with firm orders for 245 new jets placed in 1983, and 262 in 1982. Last year's figure may eventually be higher once orders announced (such as those for Airbuses for Pan Am and Boeing 757s for Indian Airlines) are formally signed. Over the weekend Airbus and Pan Am reached an interim agreement and four Airbuses were delivered to the airline.

Last year's improved level of orders stemmed directly from the airlines' own reviving financial fortunes after the recession. If that is sustained, the volume of new orders placed in 1985 might rise to over 400 aircraft.

The International Air Transport Association, representing 134 of the world's principal airlines, is forecasting a net profit of about $750m after interest for the industry in 1984, rising to $1bn in 1985.

It gives a warning, however, that such a profit margin is "wafer-thin", and that overall, the airlines' financial situation remains fragile, with little cash to spare for re-equipment plans.

Several factors, nevertheless, are stimulating the revival of jet buying. One is that as their financial situation improves airlines are starting to look at re-equipment plans that had to be shelved during the recession. That is especially the case in the U.S. where, after deregulation, tougher competition is also encouraging the hunt for new equipment.

Secondly, equipment plans delayed during the recession have taken on a new urgency, because much existing equipment is ageing, and becoming unacceptably noisy and fuel-inefficient.

New and more stringent noise rules become effective in the U.S. from January 1, 1985, and in EEC countries up to 1988. That alone will ground many older jets, forcing airlines to place new orders.

Another factor is the changing pattern of air travel itself. While long-distance air travel is increasing, short-distance traffic is growing at a faster rate, and passengers are demanding better and more frequent service.

As a result, airlines specialising in the short-distance market are seeking smaller jets that can provide those increased frequencies, and still enjoy good loads, rather than the bigger airliners that are more difficult to fill.

Those factors together have been responsible in 1984 for the big successes enjoyed by the smaller Boeing 737 and McDonnell Douglas MD-80 twin-jet airliners, especially in the U.S. market.

By comparison, the bigger aircraft, such as the Airbus A-300, A-310 and A-320 and the Boeing 767 and 757 have achieved far fewer sales.

Boeing sold 135 of its 737s during 1984, of which no fewer than 110 were the advanced Series 300 model with the quieter Franco-U.S. (Snecma-General Electric) CFM-56 engines.

Boeing believes the deadline for the new noise rules in the U.S. will force many more airlines to buy either 737s or the rival MD-80s in the coming year.

Total sales of the 737 to date amount to 1,254 aircraft and it might eventually become the world's best-selling commercial jet, outstripping the Boeing 727 (now out of production), of which over 1,800 were sold.

The coming year is likely to see some heavy battles for the orders that will be available.

Several big airlines are looking for 150-seaters to see them through to the end of this century, including Lufthansa and Iberia in Europe, and Continental, Delta and United in the U.S.

The Delta and United orders will be for upwards of 100 aircraft each, replacing ageing Boeing 727s.

COMMERCIAL JET AIRLINER ORDERS 1984

Manufacturer		Orders (1983 in brackets)*		Value in $m (approx)	Total ordered (all versions each model) excluding options
Airbus Industrie	A-300	11	(—)	420	246
	A-310	10	(6)	550	109
	A-320	14	(12)	420	51
Boeing	737	135	(69)	2,700	1,254
	747	22	(24)	2,200	642
	757	2	(26)	80	139
	767	10	(16)	520	188
British Aerospace	146	7	(24)	105	41
Fokker (Neth)	F-28	8	(25)	77	216
	F-100	8	(—)	150	8
McDonnell Douglas	MD-80	100	(42)	2,500	328
	DC-10/ KC-10	7	(1)	455	434
		334	245	10,177	3,656

* Some orders placed but not yet signed are excluded.

Reagan seeks to allay 'star wars' fear

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan has moved to allay European concern about the dangers of a new arms race in space as a result of the United States' Strategic Defence Initiative (SDI), the so-called Star Wars proposal, that aims at designing weapons to destroy incoming nuclear missiles before they can hit their targets.

Mrs Margaret Thatcher, the British Prime Minister, said at the weekend after talks with the President and his top foreign policy advisers at his Camp David retreat, that she and Mr Reagan had agreed that "SDI-related deployment *would in view of treaty obligations* have to be a matter for negotiation" with the Soviet Union.

The two leaders thus reiterated earlier statements by U.S. officials that space weapons could be included in the "umbrella" talks on disarmament on which, it is hoped, the U.S. and the Soviet Union can embark after the meeting in Geneva next month between Mr George Shultz, the U.S. Secretary of State, and Mr Andrei Gromyko, the Soviet Foreign Minister.

Mrs Thatcher was careful, however, to distinguish between deployment of weapons that might be developed and the research into space weaponry currently envisaged in the SDI programme.

"I told the President of my clear conviction that the SDI research programme should go ahead," Mrs Thatcher told reporters after the Camp David talks.

The Prime Minister pointed out *that research is permitted by existing* U.S.-Soviet treaties and is essential in order to maintain the military balance between East and West. Echoing recent remarks by top Reagan Administration officials, she said that the Soviet Union was already carrying out such research and that "their programme has already in some respects gone beyond research."

The joint statement by Mrs Thatcher and Mr Reagan on SDI weapons deployment was one of four points relating to the arms control talks which Mrs Thatcher said she and the President had agreed upon. U.S. officials confirmed the terms of the joint statement. Mrs Thatcher said that she and the President had agreed:

- The U.S. and Western aim was not to achieve superiority but to maintain balance taking into account Soviet developments.
- SDI deployment would in view of treaty obligations have to be a matter for negotiation;
- The overall aim was to enhance and not to undermine deterrents;
- East-West negotiations should aim to achieve security with reduced levels of offensive systems on both sides. This would be the purpose of the resumed U.S.-Soviet negotiations on arms control.

Peter Riddell, Political Editor, in London adds: Mrs Thatcher is keen to expand her role of fostering closer East-West relations. She is expected to make a longer visit to the U.S., probably in late February, following the initial U.S.-Soviet talks Geneva.

In addition, there has been speculation that Mrs Thatcher might visit Moscow next year after the successful visit to Britain last week of Mr Mikhail Gorbachev.

Mrs Thatcher, like previous Prime Ministers, has been devoting *an increasing amount of time to foreign* affairs during her second term in office.

Apart from the probable week-long visit to the U.S. in two months' time and the usual constant round of EEC meetings, the Prime Minister is also expected to visit the Far East in mid-April

Row over Sikh extremists may hit UK-India trade relations

BY JOHN ELLIOTT IN NEW DELHI

TRADE RELATIONS between the UK and India may be hit in the next few months because of growing frustration in New Delhi about the failure of the British Government to take action against Sikh extremists who are living in Britain.

Indian Government officials have talked privately for some time about the risk of a rift developing between the two countries over the issue of the extremists and British diplomats in India believe that a number of cancellations of visits recently have to be seen against that background.

An official visit in the next few weeks by Mr Michael Heseltine, Defence Secretary, has been postponed at the Indian Government request and an exhibition by British aerospace manufacturers has also been delayed.

Plans for a visit by Mr Norman Lamont, a Minister of State for Trade and Industry, are also being delayed and a small naval equipment exhibition planned for next month has been cancelled.

On the other hand, Princess Anne is expected to complete in February a Save the Children Fund tour which was interrupted by the assassination of Mrs Indira Gandhi, the Prime Minister, on October 31, and a tour by the British and south Asia Trade Association is still scheduled for early February.

The reason given by the Indian Government for the postponements is that the timing is not opportune so soon after this week's general election. Preparations for the annual budget, due at the end of February, have also been cited as another problem.

Although nothing has been said officially, the impression left with British diplomats and journalists is that officials are pleased to be able to order these postponements because they can be also seen as a form of pressure by India for more British action against the Sikh extremists.

It remains to be seen whether Mr Rajiv Gandhi continues with this line when he takes over next month.

No other foreign country appears to have had similar high level visits planned, apart from trips by some key U.S. senators, so the UK has not been able to compare its treatment with other embassies in New Delhi.

India wants the UK to arrest or deport a number of Sikh extremists, particularly Mr Jagjit Singh Chauhan, who it believes was linked with Mrs Gandhi's assassination plot and has also threatened the life of Mr Rajiv Gandhi.

The UK has explained that neither the Government nor the Director of Public Prospecutions feels able to take action. Mr Chauhan is immune from deportation as an alien because he has lived in the UK for 13 years and does not appear to have broken British law.

While the Indian Government does not dispute this, it believes that the UK could do more if it wanted to.

It is pleased that Mr Jasbir Singh, nephew of Mr Jarnail Singh Bhindranwale, the militant Sikh leader killed when the Indian army took over the Amritsar Golden Temple in June, was refused entry to the UK and deported to Dubai last Friday.

The UK is believed to have decided on deportation because it is becoming increasingly concerned about the impact on racial harmony *in the UK of the Sikhs' activities.* But Indian officials are believed to see the deportation of Mr Singh as the first success of their tough line against the UK.

Pemex to pay for damages

PEMEX, Mexico's state oil company, officially blamed for the catastrophic fire that killed 452 people last month, said yesterday it would pay for all damages, **Reuter reports from Mexico City.**

The attorney general's office said over the weekend that the November 19 fire storm, which razed 300 houses in San Juanico, a poor district in the north of Mexico City, was caused by gas leaking from a faulty pipe in the company's main gas depot.

According to the official inquiry report, *the leaking gas was ignited* by a pilot flame in the Pemex plant. It said the disaster occurred because of the lack of maintenance in the Pemex depot, where 80,000 barrels of liquefied gas exploded into flames.

Pemex said yesterday it would pay for all damages – an important reversal from its initial reaction, which blamed a nearby private gas-bottling plant.

Campaigning for compensation, San Juanico residents have said that tens of thousands of dollars of voluntary aid contributions were misappropriated by local officials.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	S	8	46	Malaga	C	15	59	Salzburg	S	2	36
Akrotiri	R	14	57	Faro	S	16	61	Malta	R	14	57	Seoul	S	-7	19
Algiers	C	13	55	Florence	F	8	46	Manila	C	30	86	Singapore	F	29	84
Amsterdam	D	5	41	Frankfurt	C	1	34	Miami	C	25	77	Stockholm	C	3	37
Athens	F	12	54	Funchal	C	19	66	Milan	S	6	43	Strasbourg	C	-1	30
[illegible]															

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Buyout for GE unit

Continued from Page 1

Group. GE bought out TI Group's interests in 1980. Simplex made a profit of £5.95m before tax, interest and central office costs on sales of £43.6m in the year to last December. Profit and turnover are expected to fall this year because the UK miners' strike has hit supplies of flame-proof electrical switch gear and controls to the National Coal Board, a big customer.

GE, however, denies that the disposal is linked to the miners' strike.

A "substantial proportion" of the purchase cash is being provided by Electra Investment Trust, Globe Investment Trust, Investors in Industry, Murray Ventures, Prutenture and the Hoare Candover Exempt Fund. A loan and short-term borrowing facility has been provided by the Bank of Scotland.

The institutional backers in aggregate will own the majority of Simplex's shares. Mr James Beckett, a former managing director of GEC Power Transformers before he became general manager of the Simplex flame-proof products division, will lead the management team.

THE LEX COLUMN

City gent's guide to the galaxy

It was not until the 1980s that astronomers began seriously to question the *Goodisonian cosmology*. The temper of the age had turned against the great polymath; the spirit of inquiry, had reached even to the Inquisition; and to those intrepid souls who had ventured to distant markets, the dogma of single capacity was no longer sacrosanct. Pious men still clung to the belief that the Universe had always existed, driven by the eternal opposition of mutually repellent forces – or jobbers and brokers in the quaint Goodisonian diction – and that the energy which brought warmth and light must always be in quantum amounts, or "fixed commission"; but this was now heresy and they dared utter it only in the privacy of their estates.

Goodisonius recanted before Cardinals Oft and Doti and thus saved his own life. But from his imprisonment in the Tower he did not cease to rage against the new doctrine that the Universe had been created in a single cataclysmic moment, the "Big Bang." Those who climbed to his tiny cell found the sage, with wild eyes and unkempt hair, babbling of a secret harmony he called "self-regulation." Others reported him pre-occupied by time, seated all day amid dismantled clocks in vain and reckless pursuit of the *perpetuum mobile*.

It was the patient work of one obscure astronomer which overturned the Goodisonian system. Jacopo Gower, thought to have been a Welshman in the service of the Inquisition, directed his attention to a cluster of stars called Wall Street, a galaxy about 10 light years away with some superficial likenesses to our own.

Gower confirmed the view of Goodisonius that commissions issuing from Wall Street had displayed a constant pattern for as long as records had existed; but that at some point in the recent past the Commission wavelengths had become variable – yet without heralding the utter collapse that had been a tenet of Goodisonian mechanics.

Wall Street was still up there, shining brilliantly in the northern sky, but obviously in a state of evolution or upheaval. Gower boldly proposed that some massive external body exercised such gravity as *to maintain discipline in the galaxy*. That body he whimsically named Sec, after his faithful dog.

Gower and his apprentices began systematically to observe Commissions through a prism. Under the Goodisonian doctrine of quantum amounts, commissions must invariably produce the same spectral pattern, depending on their source or "bargain." Instead, Gower found them constantly diminishing towards the longer, or less profitable end of the spectrum, as if the bargains were receding at great speed. Clearly, the very Universe was expanding; and Gower came to the momentous conclusion that it must have started somewhere, at a single point in space and time. The Big Bang theory of creation had been born.

Gower himself never attempted to describe what had actually passed at the moment of the Big Bang. What he could define with some precision was the state of the Universe a few seconds after its creation. It was an awesome and terrifying vision.

Very rich

Gone was the stately pavane of jobber and broker of the Goodisonian view, or the well-tempered music of fixed commissions. Gower's Universe was a place of seething activity, as jobbers and brokers crashed into one another, coalescing in immense fusion reactions and emitting streams of highly enriched particles known as "partners."

It is the fate of these partners that continues to exercise astronomers today. Some argue that they attach themselves to more stable nuclei, such as the more inert Swiss banks, only to enrich themselves further and shear off again.

One audacious view held that partners must eventually reach a critical level of enrichment. They are then so rich and massive as to be dragged inexorably in by the tremendous gravitational pull of "black holes" (or Home Counties as they were then termed), either to be crushed to nothing by boredom or be ejected clean out of the Universe, a process known to astronomers as "the handshake."

Few could follow this imaginative leap, least of all Gower's ecclesiastical masters, who had become alarmed by his findings. For, if the Universe was truly such an unstable place, what was there to prevent the energy from fusion reactions engulfing not only the large institutional planets (comprised entirely of very hot gases) but also the myriad lumps of solid matter orbiting in space and known as "small investors?"

Not so rich

The latter were of peculiar concern to the Inquisition. Gower stood loyal to his old belief that a massive body (or bodies), similar to his beloved Sec in Wall Street, maintained stability throughout the Universe. The Inquisition was adamant and, reverting to the Goodisonian scheme, promulgated a theory of self-regulation. The great astronomer was pardoned to general rejoicing. Not only did he show no resentment at his years of confinement in the Tower, he begged to be allowed to remain among his clocks in the cell that had served as his home so long.

What remained a mystery was how wealth, in however rudimentary a form, could have taken root in the Universe. Clearly no wealth as we know it could have survived the titanic buffeting of the early Universe after the Big Bang. Popular astronomers proposed that wealth came from outside the Universe; in this they were joined by one Leigh or Pemberton (the accounts differ as to his name). He took to issuing great volumes purporting to argue that such antique monuments as the "Old Lady" monolith had been erected by primitive peoples as temples to measure money supply. No serious astronomer, however, could believe that any matter, let alone wealth, could penetrate the thick, swirling clouds of government regulation surrounding the Universe. The consensus was that jobbers and brokers could fuse and still produce, as they cooled, conditions for low-forms of wealth, but this remains speculation.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1984.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday December 24 1984

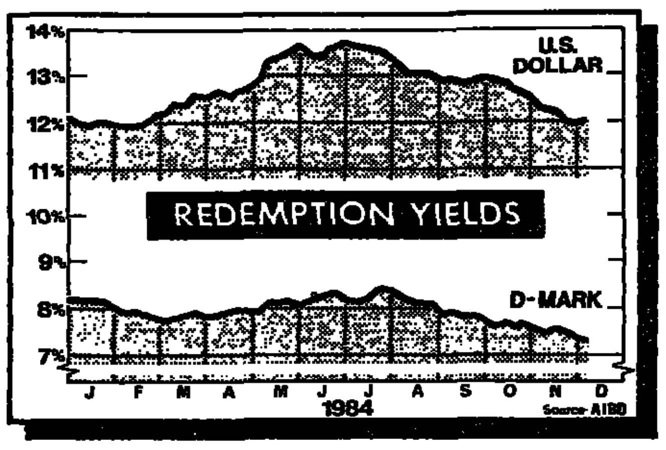
INTERNATIONAL BONDS

Investors rush to fill Christmas stockings

BY MAGGIE URRY IN LONDON

JUST when Eurobond syndicate managers thought it was safe to go skiing, the market suddenly had a run last week. A surge in the New York bond market spilled over into Eurodollar issues, and the Prudential $1bn plus, three-tranche deal was all that was left for pre-Christmas buyers to snap up at the last minute.

So the bonds that everyone had expected to see left on the shelf for a while found their way into Christmas stockings, and the prices shot up. By the end of the week, the seven-year 11⅞ per cent tranche was bid at 99½, the 10-year 12¼ per cent portion was bid at 100, and the 14-year zero was at 20.50, compared with the 20.85 issue price.



Since the summer, interest rates and bond yields have been falling, bailing out syndicate managers' long positions and making it easier to do deals. Most now hope that these favourable conditions will continue into the new year.

S.G. Warburg was able to tap the enormous demand among Japanese investing institutions for dollar-denominated paper issued direct from Japanese borrowers with an issue for Toray Industries. This type of paper is not counted towards the 10 per cent limit for overseas investment by the Japanese institutions. As a result these deals have a pricing structure all of their own.

The Toray coupon of 11⅛ per cent was as far below U.S. Treasury yields as IBM could hope for. Even so, the paper was soon trading at 101.

Deutsche Bank's zero coupon issue was widely regarded as too tightly priced. The redemption yield of 11.34 per cent at a price of 98 (issue price less the 2 per cent total fees) is significantly below other 10-year zero coupon issues. The bid in the market on Friday of 98½ was thought to be from Deutsche Bank itself, and little business was seen.

Zero coupon issues were under a cloud last week, though. There is now a real prospect of a Japanese tax on zero coupon issues being introduced in April 1985. As Japanese buyers are often credited with taking a third of any zero coupon issue at its launch, this is a worry to issue managers. Some selling of zeros was seen late last week.

Salomon Brothers thought up a new structure for a floating rate note Yankee issue for the Nordic Investment Bank (NIB). The quarterly interest is set by taking the 91-day Treasury bill rate and adding 55 per cent of the difference between that and London interbank offered rate. The idea is that the NIB as a prime international borrower should price off the Treasury bill rather than the commercial bank liability index.

The difference between the two rates has averaged 100 basis points over the last two years, with highs and lows of 527 basis points and 48 basis points over the last seven years. The $100m issue can be added to, up to a total of $250m, and Salomon has promised to remarket any paper which investors put back.

So the NIB will have $250m of 20-year capital to be used for general lending purposes.

The World Bank does not stop for Christmas and made two issues last week. The DM 500m deal went well and by Friday was trading around 99¾. A domestic Austrian schilling deal, launched through Creditanstalt-Bankverein, was swapped into the Swiss francs which Creditanstalt had raised the week before.

Activity in the continental markets has come to a standstill. In the D-Mark bond market, prices were little changed over the last week. The new federal government 10-year bond issue was priced on Friday with a 7 per cent coupon and 100¼ issue price to give a yield of 6.96 per cent

INTERNATIONAL CREDITS

Argentine package still to be wrapped

BY MARGARET HUGHES IN LONDON

THE pre-Christmas weeks saw syndication managers more preoccupied with toasting each other at the signings of existing deals than arranging new ones, while bankers who had hoped to wrap up debt restructuring packages have had to reconcile themselves to resuming negotiations in the new year.

True to form, the $21.6bn Argentine package is once again a cliff-hanger. Over the weekend it was still not clear whether its 400 creditor banks will have committed the "critical mass" required by the International Monetary Fund (IMF) to the new $4.2bn loan by tonight's deadline. This has to be achieved before the IMF will approve the release of its own $1.4bn loan at a board meeting set for Friday.

It had been hoped that most creditor banks would have responded by the weekend. There has, however, been no indication of the amount already subscribed, beyond a figure of $1.5bn announced earlier in the week. It is understood that UK and U.S. banks have responded well, but others are slower. Given that not all countries close down over the Christmas period, however, it is still hoped that the target will be met in time.

Brazil ended five days of talks with its 14-bank advisory group in New York with a joint statement that "substantial progress" had been made on Brazil's request for the restructuring of maturities falling due in 1985 and "some subsequent years." The talks were adjourned on Friday night, however, and, according to Mr William Rhodes, the senior vice-president of Citibank who chairs the advisory group, they are expected to resume on January 3.

That means that there will be no package in place before Brazil's presidential elections in mid-January, but the banks are hopeful that it will have been finalised, if not signed, by the time the new civilian Government takes office in March.

Details of the negotiations were not disclosed, but it is understood that Brazil is seeking a package similar in structure to that agreed for Mexico last September. In the meantime, interim measures, including a deposit scheme similar to that used in the 1983 and 1984 negotiations, have been agreed by both sides for handling debt maturities in early 1985, pending completion of the package.

Mexico, for its part, has not, as it had hoped, been able to finalise its $48.6bn package by the year-end and as a result will not be making the agreed $1bn prepayment. It has said, however, that it will pay a larger amount of $1.2bn once the package is completed and will pay $250m on January 3 when interest next falls due.

The delay in completing the Mexican package is attributed to the complicated documentation. Not so in the case of Venezuela, which has also failed to finalise its $20.75bn restructuring package by the end of the year. Insufficient progress on the private-sector debt is still holding up work on the restructuring. Bankers are marginally more optimistic, however, that some progress may be achieved now that Venezuela has moved to speed up the procedures for registering private debt. Banks will review progress again on January 8 ahead of Venezuela's expected request for a renewal of its 90-day moratorium on public-sector debt.

There is better news from the Philippines, which has now reached agreement with the Paris Club creditor nations on the restructuring of its government-to-government $1.1bn debt in parallel with its commercial bank debt rescheduling.

The most interesting news to whet the appetite of the credits market was the announcement that Woodside Petroleum is seeking $1.8bn for its Northwest Shelf liquefied natural gas project. The funds would be used partly to refinance the existing $1.4bn loan arranged by Morgan Guaranty in 1980 and partly to finance the costs of the second export phase

The market, however, will have to wait a while for the deal since Morgan Guaranty, which has been approached to arrange the new financing, says it will take several more weeks to structure the deal. It has yet to be determined whether it will be a straight syndicated loan or a multi-facility deal.

Australia proved to be the main source of activity in the pre-Christmas week, with Wardley Australia announcing a $80m Euronote issue in the form of promissory notes in Hong Kong. This is the first time it has used this type of facility and is one of the first to be undertaken by a leading Hong Kong name. Wardley Limited, which is arranging the facility for its Australian subsidiary, is taking advantage of the ability to get round Australia's withholding tax through a Euronote issue.

The facility will have an initial maturity of two years which can be extended. Pricing will be set by bidding by 22 financial institutions through a tender panel up to a maximum of ⅛ of a per cent over Libor. Underwriters are BT Asia, Commonwealth Bank of Australia (Singapore branch), IBJ Asia, Wardley International, Development Bank of Singapore and Tokai Asia.

The mandate for the credit being sought by India's Industrial Credit and Investment Corporation had been expected before Christmas. It is understood, however, that the bidding groups have been asked to improve on what were already fine terms. The amount has been reduced, however, to $30m and a meeting with the bidders fixed for December 28.

One of the few new deals announced last week was a $50m equivalent revolving underwriting facility for the Portuguese state-owned petrochemicals company Companhia Nacional de Petroquimica. This split Ecu/U.S. dollars facility was mandated to Dean Witter Capital Markets International and S. G. Warburg.

The $500m multiple deal for Turkey, which Citicorp is arranging, also appears to be dragging its feet. There seems to be some apathy towards the short-term advances portion, given that there is a sizeable market already in short-term advances to Turkey which banks are reluctant to dilute. There may therefore be a need for some fine tuning on this part of the deal. It is understood that Citicorp is to arrange a meeting between the borrower and the interested banks

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
LASMO §‡	44	1999	15	9¼	100	Citicorp Int., Mgn. Grenfell	9.250
Deutsche Bank ‡	287	1995	10	0	100	Deutsche Bk., Mgn. Guaranty, Nikko Secs.	11.120
Farnsworth & Hastings ‡	67	1988	3	16½	100	Drexel Burnham Lambert	16.500
Cambrian & General (a)†‡	50	1991	7	1¼	100	Schroder, Interallianz	–
Nordic Invest. Bank †ϕ‡	100	2004	20	(c)	100	Salomon	–
Vestlandsbanken** (b)†‡	5	1994	10	3/16	100	Mitsui Trust	–
Toray Industries ‡	50	1992	7	11⅛	100	S.G. Warburg, Nomura Int., Bankers Trust, Mitsui Fin. Int.	11.125
Ost. Kontrollbank ϕ‡	100	1990	5	11¼	100	Dillon Read	11.250
I.F.C. ‡	50	1995	10	11¾	100	Nomura Int.	11.750
D-MARKS							
Nippon Shinpan ¶‡	200	1990	5	3¼	100	Dresdner, BHF-Bank, Daiwa Eur.	3.250
World Bank ‡	500	1995	10	7⅛	100	Deutsche Bank	7.125
SWISS FRANCS							
Keihin Elec. Ex. Rail. **¶‡	50	1990	–	3¾	100	Credit Suisse	3.750
Trinidad & Tobago **‡	40	1990	–	7	100	Credit Suisse	7.000
Yuhshin Co. **§	30	1990	–	(2⅛)	100	UBS	*
ECUs							
Peugeot Fin. Int. ‡	50	1990	5	10¼	100¼	Soc. Gen. de Bqe., Lazard Freres et Cie	10.184
Ireland ‡	50	1995	10	10¼	100	Bqe. Paribas, Bqe Bruxelles Lambert	10.250
AUSTRIAN SCHILLINGS							
World Bank ‡	900	1994	10	8¼	100¼	Creditanstalt-Bankverein, – Girozentrale, Ost. Landerbank	8.212
YEN							
Quimica de Portugal **‡	5bn	1994	9	7.6	100	LTCB of Japan Ltd.	7.600
Hellenic Ind. Dev. Bk **‡	6bn	1991	6.4	7.6	100	Bank of Tokyo Ltd.	7.600

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating-rate note. ¶ With equity warrants. ϕ Registered with U.S.S.E.C. (a) 1¼ over 6-m Libor; additional $50m tap. (b) 3/16 over 6-m Libor. (c) Additional $150m tap; quarterly CD equivalent of 91-day T-Bill rate + 55% of difference between that and Libor (minimum 35 basis points). Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. MONEY AND CREDIT

Rate cut underlines Fed's shift in gears

SANTA AND his elves — alias Paul Volcker and the six other Fed governors — arrived right on cue, delivering a further half-point cut in the discount rate to 8 per cent, effective today.

The late Friday announcement of the cut, the second half-point reduction in less than five weeks, had been widely expected and therefore had little immediate impact on bond prices.

However, the cut, which takes the U.S. discount rate down to its lowest level since October 1978, did confirm Wall Street's *perception that the Fed has* indeed shifted gears.

The Fed's comments which accompanied the reduction, and the report of the November Federal Open Market Committee (FOMC) meeting which was also released late on Friday, were seen as underlining this shift.

The Fed said the reduction was "designed to bring the discount rate more into line with short-term market interest rates."

However, as with the previous reduction on November 21, the Fed provided additional information about its motives. The Fed's statement added that the rate was cut "in the general context of the moderation of growth in economic activity since mid-year, continued relative stability or declines in sensitive commodity prices and the strength of the dollar internationally."

The language of the November FOMC meeting report also highlighted the concerns of the Fed and the strength of its bias on the side of easing monetary conditions which has been evident since the start of September—an easing which has sent U.S. short-term rates tumbling, including the prime rate which was reduced another half-point to 10.75 per cent last week.

The report shows that all but one FOMC member, Mr Lyle Gramley (who was also the one Fed governor to vote against the discount rate cut), favoured "A somewhat reduced degree of restraint upon reserve positions." Mr Gramley favoured no change.

At the November meeting a majority of the FOMC, which met again last week, urged that "the lesser restraint be implemented in limited steps, pending an evaluation of its impact on financial markets and of incoming information on the economy and the monetary aggregates."

This stresses the Fed's gradual and cautious approach, but it is also a marked change in direction. As Dr Albert Wojnilower, managing director and chief economist of First Boston, notes in his quarterly review of the markets published last week: "From now on, in contrast to its policy from mid-1979 to summmer 1984 of fighting inflation first, we may expect the Federal Reserve to give priority to ensuring rapid monetary and economic expansion."

Last week's set of economic numbers including the 2.8 per cent "flash" fourth quarter GNP rise, suggest to some, including Dr Henry Kaufman of Salomon Brothers, that "the economy has probably passed through its lowest point and is poised for rejuvenated activity early next year."

From a credit market perspective, however, the small 0.2 November consumer price index increase, the recent substantial decline in business bank borrowings and the smaller than expected $3.8bn increase in M1 reported last week were given equal weight.

Particular attention will now be paid to the November leading economic indicators, due out on Friday, and the growing trickle of news about retail sales in the crucially important pre-Christmas period.

In the meantime, the big question for the markets is whether the latest discount rate cut is the end of Fed easing, at least for the moment, or another "limited step."

Leading the bulls, some of whom had hoped for a 1 per cent cut in the discount rate, Mr Philip Braverman, of Briggs Schaedle, emphasises that the market has yet to appreciate "that the Fed's easing goes far beyond a concern over preventing the economic slowdown from slipping into a recession, a danger now passed."

He argues that, "the threat of deflation and its dangerous implications for the world economy and financial system are the primary catalysts for the Fed's latest easing." Since he believes the prospect of deflation, heightened by the recent drop in spot oil prices, will remain, he is already predicting a further Fed easing, "probably in January or February."

For the immediate future, however, Mr Braverman, like most other senior Wall Street economists, sees a number of temporary clouds on the horizon, including year-end profit-taking, seasonal market thinness and the upcoming $5.75bn auction of seven-year notes on January 2 and the $4.25bn auction of 20-year Treasury bonds the following day.

Last week such concerns were swept aside as money market rates plunged and investors bet on the discount rate cut. Bond prices rallied strongly early in the week and held most of their gains through Friday. At the close, government bond prices were between one and two full points up on the week. The Treasury long bond closed up 1¾ at 103¾ to yield 11.48 per cent compared with 11.59 per cent a week earlier.

In the money markets, short-term rates fell dramatically as the Fed funds rate traded below the 8 per cent level for most of the week. Short-term rates fell by between 10 and 50 basis points.

In the corporate bond market, prices rose by ½ of a point on medium-term issues and 1½ points on long-term bonds. New issue rates on medium-term issues fell by between 20 and 40 basis points while longs were unchanged to 25 basis points lower.

The favourable market, coupled with year-end balance-sheet pressures, spurred corporate treasurers to dive into the market to launch more than $2bn of new issues.

Among the new offerings, ACF Industries sold $400m of 15½ per cent 12-year sinking fund debentures priced to yield 15.50 per cent, and Tandy launched a two-part $300m package of notes comprising $150m of 10¼ per cent two-year notes priced to yield 10.3 per cent and $150m of 11 per cent four-year notes priced to yield 11.10 per cent.

ICH Corporation sold $200m of 10-year 16½ per cent debentures at par, Citicorp sold $300m of two-year extendable notes carrying a 10¼ per cent coupon and priced at par, and American Express Credit Corporation offered $100m of five-year 11¼ per cent notes priced to yield 11.174 per cent.

Paul Taylor

U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	7.81	8.55	9.26	11.77	7.81
Three-month Treasury bills	7.78	8.07	8.41	10.77	7.76
Six-month Treasury bills	8.00	8.25	8.42	10.83	8.00
Three-month prime CDs	8.25	8.65	8.85	11.90	8.25
30-day Commercial Paper	8.05	8.50	8.66	11.38	7.90
90-day Commercial Paper	8.15	8.65	8.70	11.40	8.15

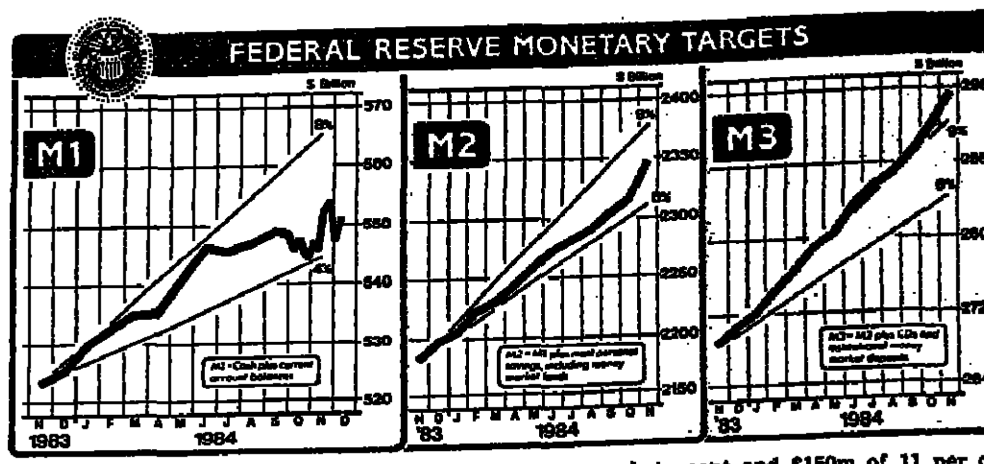
U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	104⅞	+ 1¼	11.21	11.59	11.13
20-year Treasury	101¼	+ 1¾	11.48	11.70	11.24
30-year Treasury	103¾	+ 1⅞	11.48	11.59	11.32
New 10-year "A" Financial	N/A	+ 1¼	12.00	12.25	12.00
New "AA" Long utility	N/A	+ 1½	12.40	12.60	12.25
New "AA" Long industrial	N/A	—	12.25	12.25	12.00

Source: Salomon Bros (estimates).

Money Supply in the week ended December 10 M1 rose by $3.6bn to $551bn.

FEDERAL RESERVE MONETARY TARGETS



UK GILTS

Oil price worries persist

IT WAS hardly an auspicious run-up to Christmas. An unseasonal slide in sterling's value left the gilt-edged market with little to celebrate and injected a note of anxiety into the City's traditional festivities.

By Friday both the pound and gilts had recovered some of their composure, but the adjournment of the Organisation of Petroleum Exporting Countries' meeting until later this week means that worries over oil prices and sterling may preoccupy the market in to the new year.

Yields on long-dated stocks, which only a few weeks ago seemed to be threatening the 10 per cent barrier, were back over 10.3 per cent. The renewed strength of the U.S. bond market served only to limit the damage.

What last week did show is that financial markets are finally convinced that a bout of sterling weakness does not necessarily bring a knee-jerk response from the authorities in terms of higher short-term interest rates.

Money market interest rates edged higher, but there was none of the panic seen during earlier attacks on the pound—though what would have happened if U.S. interest rates had not been falling is open to question.

For their part, the Treasury and the Bank of England still seem convinced that monetary policy is on track and that the best response to an oil-induced slide in sterling's value is to sit back and hope the storm quickly blows itself out.

The problem is that, with sterling M3 distorted by the British Telecom issue, it is not easy for the authorities actually to demonstrate that monetary conditions are sufficiently tight.

The evidence provided by more arcane indicators—such as real interest rates and the housing market—probably favour the official case, yet it is not readily understood in the market. High public borrowing figures are, too.

So if oil prices do continue to fall—and the perceived wisdom in the oil industry is that they will—and sterling slumps further, the general view is that the authorities may be vulnerable to any market pressure for higher interest rates.

In particular, the authorities must begin to get funding underway again to avoid the risk that what may well be a satisfactory monetary outlook now could turn out otherwise in coming months.

That priority was shown by the Bank's decision to issue a series of small tranches of existing stocks last week, so it is ready to take advantage of any recovery in the market. And the 50-50 split between conventional and index-linked in the £500m worth of stocks suggests it wants to spread its net as widely as possible.

The best hope for the market, therefore, may well be that Opec manages to hold the line at least temporarily on oil prices, providing a respite which would tempt the institutions into unloading part of the large cash surplus they will be building up in January.

For the longer term, it is worth remembering that, as long as sterling does not fall too quickly, lower oil prices should be good for inflation and good for bond markets.

And whatever the money supply figures are doing, there seems little evidence in the real economy of any build-up in inflationary pressures.

On that basis, many brokers believe it would be unrealistic for investors in gilts to expect yields much above 10 per cent over any great length of time.

Philip Stephens

Row follows Turkish banker's departure

BY DAVID BARCHARD IN ANKARA

MR EROL AKSOY, the 39-year-old whizz-kid of the Turkish banking world, and the Cukurova industrial group which owns three of the leading Turkish commercial banks, including the Uluslararasi Endustri ve Ticaret Bankasi (Interbank) of which Mr Aksoy was chief executive until last week, have had one of the most spectacular public rows seen in the Turkish business world for many years.

An announcement from the board of Uluslarasi on December 20 said that Mr Aksoy had been asked "to leave his appointment as chairman of the bank with effect from December 14." The bank said the decision had been taken because of Mr Aksoy's links with another bank, Iktisat Banksal, in which he acquired a controlling interest earlier this year. An Uluslarasi executive said it had been worried by the debts of Ergun Kablo, a cable company owned by Iktisat, and that Uluslarasi was reducing its own shareholding in Iktisat.

However, Mr Aksoy said at the weekend that pressures from the industrial group which owns Uluslarasi had prompted his departure. "No one wants the bank to be a Cukurova holding bank and its funds to be used for their own group problems," he said, claiming that as chairman of the bank he had fought to maintain its independence.

Mr Aksoy said that Uluslarasi and Iktisat had taken a decision on October 26 to co-operate with resources and staff. "At the Iktisat Bankasi, I have the opportunity to do banking without any pressure from an industrial group or holding company," he said.

Uluslarasi had been little known until Mr Aksoy was placed in charge in 1981, after which it became one of the best known and most profitable Turkish banks. The bank said it had been unaffected by Mr Aksoy's departure, though Mr Aksoy claimed that five of the seven deputy general managers and three of its major branch managers had resigned.

"I told them I would only resign if they accepted my candidate to succeed me," said a defiant Mr Aksoy. "I definitely haven't resigned."

The Turkish banking world is now watching to see if Mr Aksoy—who became general manager of one of Turkey's largest private banks at the age of 30—will be able to pull off a third success at Iktisat Bankasi.

Mr Vural Akisik, 41, the co-ordinator of the Cukurova holding group, has been appointed acting general manager of Uluslarasi.

● A profile of Interbank appears in the Survey of Turkey which is published as a separate section today. This went to press before the bank's announcement about Mr Aksoy's position.

Receiver plans Saleninvest ship transfers

By David Brown in Stockholm

MR BJORN EDGREN, the court-appointed receiver of Saleninvest, Sweden's largest shipping group which declared bankruptcy last week with debts of around SKr 5.5bn ($618m) in one of the country's biggest corporate failures to date, will transfer six of the group's modern Winterclass refrigerated cargo vessels to Zenith, the government-controlled ship holding company.

The deal may permit SRS Reefer—a new ship brokerage company formed by Gyllenhammer and Partners, the investment bank, in hopes of picking up the group's refrigerated cargo business—to fulfil a contract to ship fruit for the Israeli Government this week.

The Swedish Government's national debt office has guaranteed Skr 1.3bn of Saleninvest's total liabilities, including loans for the Winter class vessels.

Saleninvest operated a worldwide fleet of more than 140 vessels including 80 reefers, of which it owned or partly owned around 65.

Mr Edgren said at the weekend that he planned to transfer all of the group's 30 wholly owned vessels to its main creditors as soon as possible, and hoped to salvage the profitable portions of Saleninvest's refrigerated and dry cargo operations.

Malaysia buys Uniroyal estates

BY WONG SULONG IN KUALA LUMPUR

UNIROYAL, THE U.S. tyre company, has announced the sale of its plantations in Malaysia, totalling nearly 11,000 hectares, for 199m ringgit ($84m) to Permodalan Nasional, the Malaysian Government's investment agency.

With the sale, there are now only two foreign groups still with substantial plantations in Malaysia. They are the French Socfin company, with 28,000 hectares, and the British-Dutch Unilever group with 14,000 hectares.

In the past decade, Malaysian companies, including government agencies, have been gobbling up foreign-owned plantations as part of the government's policy of buying back control of the country's natural resources.

Estates bearing such famous foreign names as Dunlop, Guthrie, Harrisons and Barlow are now owned by Malaysian interests.

Permodalan Nasional is buying the Uniroyal plantations through its wholly-owned subsidiary, Kumpulan Guthrie, which was itself taken over in a celebrated dawn raid on the London Stock Exchange in September 1981, and which cost Permodalan nearly 1bn ringgit.

Apart from the Uniroyal estates, Kumpulan Guthrie is currently in the final stages of acquiring Highlands and Lowlands, a publicly listed plantation group with 28,000 hectares.

It is offering to pay 2.7 ringgit cash for the 302m shares of High and Low, valuing the company at over 185m ringgit.

With the latest acquisitions, the big four Malaysian plantation groups are Kumpulan Guthrie (121,000 hectares), Harrisons Malaysian Plantations (85,000 hectares), Sime Darby (77,000 hectares) and Kuala Lumpur Kepong (61,000 hectares).

New Zealand blocks ACI bid for Alex Harvey

BY DAI HAYWARD IN WELLINGTON

THE NEW ZEALAND Government has refused to allow ACI, the Australian diversified manufacturing group, to take over Alex Harvey Industries.

ACI already owns more than 50 per cent of Alex Harvey, and tried to gain full control in a NZ$200m (U.S.$96m) bid.

Alex Harvey is New Zealand's main manufacturer of glass bottles and one of the largest packaging and building material groups. The ACI bid had been rejected by Alex Harvey directors, who said the NZ$3 per share offer was too cheap considering the company's profits and future potential.

The bid has been under consideration by the Overseas Investment Commission.

The government believes that if ACI were successful Alex Harvey could become less competitive on the Australian market.

● The New Zealand Stock Exchange has closed for the year at a record high of 1,486 points, the second year in succession that the market has reached a record at close of trading.

Texas Eastern $80m writedown

TEXAS EASTERN, the Houston energy group, is to take a pre-tax writedown of about $80m on the value of its La Gloria crude oil refinery in Tyler, Texas, writes our Financial Staff.

The writedown, which will be taken in the fourth quarter, was blamed on the continuing uncertainty of profits from U.S. crude oil refineries due to depressed markets.

Texas Eastern, which completed the $1.04bn acquisition of Petrolane, a U.S. liquefied petroleum gas distributor, in September, is in the process of selling its Transwestern pipeline company in a move to reduce bank borrowings.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Aegon Insur 11⅞ 91	50	100⅞	+0¼	11.65
AHFC O/S Fin 11¾ 94	100	99¼	+0¼	11.87
All Nippon Air 14 94	100	111¼	+0¼	11.93
Amer Saving 12 89	125	101⅜	+0¼	11.53
Amer Saving 12¼ 89	100	102½	+0½	10.63
Asian Dev Bk 11¾ 93	*100*	*101⅞*	*+0¼*	*11.63*
Australia 11¼ 90	100	98⅞	−0¼	11.95
Australia 11½ 95	300	100⅜	+0¼	11.42
Australia 11⅝ 98	100	101½	+0¼	11.39
AIDC 11 89	75	99⅞	+1¼	11.02
Austria 13⅜ 92	100	110½	+0⅜	11.43
Bk America 12 87	290	101⅝	+1⅛	11.10
Bk Nova Scotia 13⅜ 87	100	101	−2	13.04
Bank of Tokyo 11⅞ 90	100	100½	+0⅜	11.75
Bank of Tokyo 13⅜ 91	100	107⅞	+1½	11.78
Beneficial O/S 12 91	100	98⅝	+0⅜	12.32
Br Col Hydro 11⅝ 93	200	101½	+1⅜	11.45
Br Col Hydro 12¼ 14	200	99⅜	0	12.94
Br Col Hydro 12½ 13	250	99⅜	0	12.94
Britoil Fin 11⅞ 90	125	99⅞	−0¼	11.88
CCCE 12⅜ 95	75	102⅛	+0⅜	12.19
Canada 10⅞ 88	600	100¼	+0⅜	10.77
Casio Computer 5⅞ 89	80	92	−7½	8.17
Citicorp O/S 10 88	300	98⅞	+0½	10.74
Citicorp O/S 10⅜ 90	100	94½	+0½	11.77
Citicorp O/S 11½ 88	100	97¼	0	12.41
Citicorp 11⅜ 90	100	99⅜	+0¼	11.94
Citicorp 11¾ 99	100	100½	0	11.66
Citicorp O/S 14 94	100	102	0	13.57
CNCA 13¼ 91	100	105¼	+0⅜	11.95
Coastfed Int 12⅞ 88	125	102⅛	+0⅜	11.40
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UK COMPANY NEWS

Maxwell gets cable TV network for £9m

MR ROBERT MAXWELL concluded over the weekend his acquisition of BET's Rediffusion cable television interests for £2m less than was expected when the deal was first announced in October.

Metro Mode, a private company owned by Mr Maxwell, is paying £9m for the business, Britain's largest cable television network, passing into 1.3m homes and including 100,000 subscribers. The sale includes BET's subsidiary, British Cable Services, the Rediffusion cable television development centre at Coombe in Surrey, a proposed cable network at Guildford and BET's 14 per cent holding in United Cable Programmes.

The operation has recently been given a licence by the Government to convert 53 towns to provide four new cable channels. BET's disposal of its cable operations is part of a radical restructuring project begun in April last year to reform the group's image.

Guinness £12m grocery deal

BY WILLIAM DAWKINS

A MOVE into convenience grocery stores is being made by brewer Arthur Guinness and Sons, which bought the Champneys Group of health spas last month.

The diversification is through an agreed all-share bid worth £11.9m for Neighbourhood Stores, which operates 15 shops under the 7-Eleven name and plans another 40 by the end of 1985. 7-Eleven stores are smaller than most supermarkets, but carry a wider range of goods than conventional grocery stores and sell take-away fast foods.

Neighbourhood, which pioneered 7-Eleven stores in the UK, has a licensing agreement with the Southland Corporation of the U.S., the originator of the concept in America, and the largest convenience store operator in the world, with sales of $8.5bn (£7.3bn).

Neighbourhood opened its first shop last May and made a net loss of £511,653 in the period from March 1983 to last September. Guinness has diversified into the retail market in recent years, having taken over the Martins and Lavels confectionery, tobacco and newsagents' chains as well as Drummonds, the pharmacists.

Mr David Linnell, formerly head of Linfood, is chairman of Neighbourhood. He and the rest of the existing management will stay on after the bid is completed. Guinness said yesterday that Neighbourhood was "entirely complementary to the group's existing interests and that it will allow the realisation of the Guinness group's declared plans in retailing to advance at a much enhanced pace."

Guinness is offering five of its own shares for every two of Neighbourhood's, valuing the latter's shares at 505p each on the basis of Guinness' market price of 202p at the end of last week.

Blackwood Hodge sells Australian subsidiary

Cummins Australia, the local subsidiary of the U.S.-based maker of diesel engines, is to acquire Cummins Diesel Sales and Services, the retail market subsidiary of Blackwood Hodge, the debt-laden UK construction equipment distributor, for A$10.7m (£7.5m).

This deal comes less than three weeks after Cummins bought Blackwood Hodge's UK service business for £3.3m.

The Australian deal will give Blackwood Hodge a net inflow of about £8m cash which will go to reduce group debt. This, and the UK sale, which cut borrowings by £4.5m to £54.5m, will reduce group interest costs by an estimated £1.7m a year.

The price of the Australian sale is about A$1m above book value of the assets being acquired.

The deal has the consent of the Australian Foreign Investment Review Board.

The Australian business made an operating profit of £2.1m in 1983 compared with £1.9m the year before. After interest charges of £1.54m (£1.4m), there was a pre-tax profit of £1.05m (£511,000).

Memory Computer in £3m cash call

BY WILLIAM DAWKINS

THE TROUBLED Dublin-based computer maker and distributor, Memory Computer, is to raise £3.4m (£2.9m) and return to the Unlisted Securities Market after a four-month suspension.

Memory's shares were suspended at 80p (sterling) in September following its revision of full-year profits downwards from I£1.58m to I£76,000. Auditors Touche Ross had refused to sign the preliminary results because they had included two contracts for which payment had not been made.

The group is raising the cash through a 3-for-1 rights issue of 18.6m shares at 15½p each. The issue has been underwritten by Industrial Credit Company, an Irish merchant bank.

Mr Aidan McKenna and Mr Pearse Mee, the joint managing directors, who each own 29.5 per cent of the group, have agreed to take up 80 per cent of their rights, amounting to almost 8.8m shares. Memory's employees have agreed to take up 600,000 shares, while institutional investors have said they will sub-underwrite the rest.

An extraordinary meeting will be held on January 14 to approve the increase in equity capital, and dealings are expected to open on the following day. Mr David Stern, chief executive in charge of international operations, said last night that the cash would be used for extra working capital and to fund the development of new products.

Howard & Wyndham reorganisation proposals

LONG-AWAITED details of a capital reorganisation have been unveiled by Howard & Wyndham, the loss-making publisher and retail jeweller. The scheme will be an alternative to voluntary liquidation.

The reorganisation is designed to reduce the nominal value of shares from 20p to below their market price at 5p. This removes a major barrier to raising further capital through share issues, although the board indicates no immediate plans to do so. The move will also extinguish arrears of £907,406 on H & W's preferred shares.

Shareholders will be asked for their approval at an extraordinary meeting on January 15. The board is proposing that every 10 preferred shares of 20p be converted into three new ordinary shares of 5p; every 20 ordinary shares of 20p be converted into one new ordinary 5p share, and holders of non-voting shares will get one new ordinary 5p share for every 22 non-voters currently held.

Following the move, there would be 2,280,844 new 5p shares in issue. The board points out that if the group went into liquidation, it is unlikely that any assets would be left to be applied to ordinary holders.

On December 31 1983 total debt amounted to £1.6m, as against shareholders' funds of £1.2m. Last month, the group announced a reduction in pre-tax losses from £230,000 to £23,000 for the first half.

Both the group's associate companies, W. H. Allen, the publisher, and Ciro Inc, the imitation jewellery retailer, are "now poised and financed for further growth."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

FUTURE DATES

Interims—
British Telecom .... Jan 10
Mountleigh .... Jan 8

Finals—
Albion .... Jan 3
Johnson and Firth Brown .... Jan 9
TR City of London Trust .... Jan 2

F.T. Share Information

The following securities have been added to the Share Information Service:

American Cyanamid (Section: Americans)
Basix Corporation (Americans)
British Telecommunications (Electricals)
Burad Securities Ltd. (Property)
Cenergy Corporation (Americans)
Golden Sceptre Resources Ltd. (Canadians)
Holden Hydroman (Industrials)
MCorp (Banks-Hire Purchase, Leasing)
Monument Oil and Gas (Oil and Gas)
Nationwide Building Society 10¼pc 11/11/85 (Loans—Building Societies)
Pall Corporation (Americans)
Westwood Dawes (Industrials)

Firth expands midway and raises interim

PROFITS OF £305,000 made by G. M. Firth (Holdings) in the half year ended September 30 1984 are considered "very satisfactory" by the directors, particularly in view of the sale of Northampton Machinery Company in April.

Turnover of this steel stockist and merchant, and property development group came to £8.92m. In the comparable period of 1983 group sales were £10.41m and profit before tax came to £279,000, of which Northampton Machinery accounted for £1.73m and £110,000, before management charges, respectively.

The current performance of the trading subsidiaries leads Firth to expect "an extremely satisfactory" performance in the second half compared with last year, when the profit was £292,000 including Northampton Machinery. The interim dividend is lifted from 0.15p to 0.18p net, the rate of the previous final.

First half profit is struck after allowing for associate's losses—Porter Chadburn—of £51,000 (£22,000). Tax takes £142,000 (£36,000) to leave the net profit at £163,000 (£243,000), for earnings of 0.5p (0.74p) or 0.65p (0.81p) excluding the associate. Net profit on the sale of Northampton Machinery is £3,000 after tax of £162,000, which is taken in an extraordinary credit.

Proceeds from the sale of Northampton Machinery were redeployed in enlarging the stake in Porter Chadburn from 25.3 per cent to 47 per cent. The market value of this is now some £2.5m from which a good return is anticipated after the current year and which, coupled with the company's own development, should lead to a significant increase in profits and earnings.

Sterling Industries

Pre-tax profits of Sterling Industries fell from £302,000 to £252,000 over the six months ended May 30 1984. The group is a substantial supplier to the mining industry and the results for the period were considerably affected by the miners' strike.

Although some improvement is seen for the second half it is not expected that this will be sufficient to enable the full-year figures to match the previous year.

Turnover edged ahead from £3.05m to £3.13m but operating profits showed a fall of £58,000 at £236,000—the group is a light engineer.

The interim dividend is the same at 0.5p net. Earnings per 2½p share totalled 1.43p (1.62p).

Atlantic Resources

Despite a substantial increase in investment income, Atlantic Resources, oil and gas exploration and production company based in Dublin, reports that a higher loss after tax has been incurred in the six months to June 30, 1984. After tax losses were I£800,000 compared with I£555,000. Tax was £312,000 higher at £352,000.

Mr A.J.F. O'Reilly, the chairman says the company is confident that the information derived from its recent exploration activities will yield substantial rewards before long.

He says considerable cash resources are still available as a result of last year's placing of shares which raised £15m.

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,774	Ass. Brit. Ind. Ord.	139	+3	6.6	4.5	7.7	9.2
—	Ass. Brit. Ind. CULS	148	+3	10.0	6.8	—	—
3,068	Airsprung Group	53	—	6.4	12.0	5.8	7.1
1,050	Armitage & Rhodes	41	—	2.9	7.0	5.1	8.5
41,454	Bardon Hill	133	—	3.4	2.6	13.4	22.3
2,585	Bray Technologies	47	+1	3.5	7.4	5.5	7.8
2,030	CCL Ordinary	173	—	12.0	6.9	—	—
—	CCL 11pc Conv. Pref.	114	—	15.7	13.8	—	—
5,368	Carborundum Ord.	798	−2	5.7	0.7	—	—
—	Carborundum 7.5pc Pf.	84	—	10.7	12.8	—	—
1,407	Cindico Group	89	−3	—	—	—	—
5,157	Deborah Services	66	—	6.5	9.8	6.3	10.2
15,431	Frank Horsell	240	—	—	—	9.6	12.6
—	Frank Horsell Pr Ord 87	206	—	9.6	4.6	8.3	10.8
4,190	Frederick Parker	29	—	4.3	14.8	—	—
922	George Blair	50	—	—	—	3.4	6.7
1,218	Ind. Precision Castings	30	—	2.7	9.0	8.2	8.9
15,303	Isis Group	200	—	15.0	7.5	7.9	14.4
5,519	Jackson Group	106	−3	4.9	4.6	4.9	9.5
38,827	James Burrough	280	−2	13.7	4.9	9.9	9.9
3,209	James Burrough 9pc Pf	93	—	12.9	13.9	—	—
8,337	John Howard and Co	80	+5	5.0	6.3	8.2	11.6
3,020	Linguaphone Ord.	140	+1	—	—	—	—
—	Linguaphone 10.5pc Pf.	95	+2	15.0	15.8	—	—
15,570	Minihouse Holding NV	572	+7	3.8	0.7	41.2	45.0
326	Robert Jenkins	32	—	5.0	15.6	—	—
1,080	Scruttons "A"	28	—	5.7	20.4	14.7	3.4
2,124	Torday & Carlisle	87	—	—	—	9.3	19.8
1,677	Trevian Holdings	370	—	4.3	1.1	21.4	21.0
4,160	Unilock Holdings	26½	+½	1.3	4.9	12.9	18.5
11,898	Walter Alexander	93	+2	7.5	8.0	7.0	11.2
5,275	W. S. Yeates	226	—	17.4	7.7	5.4	10.8

Prices and details of services now available on Prestel, page 48146.

FINANCIAL TIMES STOCK INDICES

	Dec. 21	Dec. 20	Dec. 19	Dec. 18	Dec. 17	Dec. 14	1984 High	1984 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	81.96	81.88	82.03	82.26	82.30	82.34	83.77	75.72	127.4	49.18
Fixed Interest	85.56	84.49	85.65	85.78	85.79	85.79	87.48	80.43	150.4	50.53
Ordinary	924.3	930.3	942.6	939.9	938.3	935.4	942.6	755.3	942.6	49.4
Gold Mines	469.1	464.5	476.2	452.2	467.7	504.0	711.7	452.2	734.7	43.5
FT Act.All.Share	579.99	582.21	566.60	583.80	582.47	578.55	586.60	464.84	586.60	61.92
FT SE100	1204.7	1207.2	1220.6	1216.2	1212.5	1204.8	1220.6	986.9	1220.6	986.9

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
††	F.P.	12/12	110	108	††AberdeenAmPet £1	110	......	—	—	—	—
¶160	F.P.	11/1	200	164	✣Access Satellite 5p.	186	......	u2.0	2.5	1.5	36.5
§100	F.P.	23/11	119	102	✣Breakmate 10p	116	......	bg2.5	5.0	3.1	15.2
§105	F.P.	7/12	185	115	✣CVD Inc $0.01	155	+3	F$2.0	—	1.0	—
§160	F.P.	—	187	176	Candover Inv.	180	......	H1.4	—	1.1	—
§115	F.P.	5/12	182	134	✣Craton Lodge 1p.	187	+5	bg1.75	2.6	1.3	41.9
‖‖	F.P.	—	92	88	GBC Capital	91	−1	Q2.4	—	1.6	—
‖‖	F.P.	—	24	21	Do. Warrants	24	......	—	—	—	—
¶78	F.P.	14/12	99	86	✣Gabicci 5p.	95	......	b2.8	2.5	4.2	13.8
††	F.P.	—	—	—	G.Amer.Ft Svgs Bk.$1	£11	......				
¶¶	F.P.	—	31	25	✣Health Care S'rvic's	26	......	—	—	—	34.5
††	F.P.	—	—	—	HerculesInc.	q$1.8	......	—	4.5		
§145	F.P.	7/12	242	160	✣INSTEM 10p.	230	−5	bg1.5	5.4	0.9	28.6
**	F.P.	—	21	21	Jap.AssetsTstWar'nts	21	......	—	—	—	—
§62	F.P.	—	67	64	Kingsley&Forester20p	64	−2	bg3.04	1.9	6.8	9.8
§85	F.P.	7/12	118	95	✣Klark-Teknik 5p.	115	......	u0.6	4.7	0.7	48.6
140	F.P.	21/12	163	149	P.S.M. Int'l.	163	......	bg5.25	2.6	4.6	11.9
§130	F.P.	—	160	150	✣Penny & Giles Intl.	150	−8	bg1.82	2.6	1.7	19.3
92	F.P.	—	94	91	ProcessSystems$0.025	91	−1	Q0.25c	0.2	0.2	—
§10	F.P.	16/11	11⅛	10	Second Market Inv.5p.	11	......	—	—	—	—
§140	F.P.	10/12	204	184	✣Share Drug 10p.	204	+3	ud1.7	3.0	1.2	34.6
††	F.P.	—	£22½	£22½	The Limited Inc. $0.50	£22½	......	Q24c	—	0.9	—
§110	F.P.	30/11	125	113	✣UDO Hldgs. 10p.	124	......	u3.75	2.0	4.3	16.2
132	F.P.	11/1	173	156	Wardle Storeys 10p.	166	−2	u5.0	2.7	4.3	10.1
20	F.P.	—	23½	21	Williams (Rex) Leis.5p	21	−1	u0.91	1.4	6.2	11.5

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
**	F.P.	21/12	155	105	Aberfoyle 8% Cnv. Uns. Ln. '95	155	−5
91.574	£30	10/4	34¼	29⅞	African Dev. Bank 11⅛% Ln. 2010	32½	+¼
‖	F.P.	11/1	119	115	Automated Sec. 5% Cnv. Cum Red Prf.	118	......
§100	F.P.	—	102½	100	Comm Bk of Wales 13⅝% SubUns Ln 95-97	102½	+¼
‖100	F.P.	—	16ppm	15ppm	Fll 7.7% Cnv. Cum. Red. Prf. £1	16ppm	+1
‖101	£61	—	£54	£53	Felixstowe Dock Prf. Units †	53½	−½
‖100	F.P.	24/1	100½	95½	Folkestone Water 11½% Red. Deb. 2004	99	......
§99.094	F.P.	—	99¾	98¼	Gartmore Amer. 11⅝% Deb. 2014	98½	......
§99.405	F.P.	11/1	101¼	100	Glasgow Stock'hlds 11½% Deb. 2009	100	......
85.81	£30	—	30⅛	29¼	Int.-Am. Dev. Bk. 9¾ Ln. 2015	30	+¾
99.161	£30	17/1	35½	28⅝	Intl. Bk. for Recon. & Dev. 11⅞% Ln. 2005	33⅛	+¼
‖	Nil	—	8pm	8pm	Jap. Assets Tst. 4½% Uns. Cnv. Ln. 1994	8pm	......
‖	F.P.	—	140p	130p	Johnson Matthey 8% Cnv. Cum. Prf.	135p	......
‖	F.P.	—	—	—	Lifecare Intl. 6¼% Cv. Cum.Red. Prf. 1999	£90	......
§99.199	£25	15/3	29⅞	24½	Lon. Shop Prop. 11½% 1st Mort. Deb. 2018	28¾	+¼
§98.015	F.P.	—	99	97½	Lowland Inv. 11¼% Deb. 2010	97½	......
‖	Nil	—	15pm	5pm	McCarthy & Stone 7% Cv. Ln. 99/04	11pm	−1
—	F.P.	—	100	99¾	NationwideBldg.Soc.10¼% Bds. 9/12/85	99¾	−⅛
‖	F.P.	11/1	121	101½	Normans Grp. 6¾% Cnv. Uns. Ln. 99/2004	117½	......
**	F.P.	—	56	53	Peel 10% Cum. Pref. 50p	55	......
**	F.P.	26/4	129	115	Racal Elect 7% Cnv. Uns. Ln. 2009/14	120	−½
100	F.P.	24/1	100¼	99	Sun'ld & Sth. Shields 11⅞% Deb. 2005	99	......
91.976	£20	27/3	24⅞	18½	Sweden 11% Ln. 2012	23⅛	+¼

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
5	F.P.	14/12	6	5½	Amalgamated Estates 5p.	5½	......
80	F.P.	16/1	84	80	Attwoods	82	−1
175	Nil	—	40pm	40pm	Birmingham Mint	40pm	......
85	Nil	—	17pm	14pm	Carr's Milling	14pm	......
143	F.P.	30/1	172	164	Equipu	164	......
30	F.P.	11/1	34½pm	31pm	Jacks (Wm)	31	......
185	F.P.	18/1	222	218	Marshalls Halifax	220	......
24	Nil	—	1½pm	1½pm	✣Morris (W.) Fine Arts 20p.	1½pm	......
115	Nil	—	30pm	28pm	Notts. Brick	30pm	......
32	Nil	—	3pm	1pm	✣Steaua Romana R.V.	1½pm	−½
5	Nil	30/1	3¼pm	1¾pm	Tranwood 5p.	3pm	+¾

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✣ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. :: Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year	Company	Date	Announcement last year
Allied Colloids	Jan 18	Interim 1.0	*Johnson Firth Brown	Jan 9	Final nil
Assoc Dairies	Jan 11	Interim 1.25	Kenning Motor	Jan 12	Final 4.0
*Assoc Newsp	Jan 11	Final 7.5	MFI Furniture	Jan 17	Interim 1.7
*Brit Telecom	Jan 10	Interim due	*Magnet and Southerns	Jan 10	Interim 2.0
Centrovincial Estates	Jan 17	Interim 3.0	Mercantile House	Jan 24	Interim 3.75
Daejan	Jan 28	Interim 2.875	Racal Elecs	Jan 17	Interim 0.73
*Daily Mail & Gen Tst	Jan 11	Final 22.5	Rank Org.	Jan 24	Final 6.0
Davy Corpn	Jan 20	Interim 1.1	Thorn EMI	Jan 13	Interim 5.0
Dixons	Jan 19	Interim 1.6	Trusthouse Forte	Jan 19	Final 6.25
Dowty	Jan 20	Interim 1.1	*Union Discount	Jan 30	Final 23
First Nat. Fin.	Jan 25	Final nil			
Fitch Lovell	Jan 12	Interim 2.5			
Guinness (A.)	Jan 17	Final 4.1			
Hogg Robinson	Jan 10	Interim 3.3			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Executive Investment Pension Plan

	Bid	Offer	Change
Cash Fund	113.9	120.0	+0.2
Mixed Fund	141.9	149.4	+1.8
Fixed Interest Fund	119.8	126.2	−1.4
UK Equity Fund	156.3	164.6	+2.5
Property Fund	113.1	119.1	+0.2
Overseas Fund	146.6	154.4	+8.4
Index Linked Fund	102.5	107.9	−0.2
Stock Exchange Fund	114.8	120.9	+1.6
North American Fund	95.0	100.0	+2.1
Far East Fund	97.0	102.2	+4.6
Special Situations Fund	97.1	102.3	+2.6

Prices December 19. Until dealings on Wednesday

Clerical Medical Managed Funds Limited

	Bid	Offer	Change
Cash Fund	140.3	140.3	+0.3
Mixed Fund	205.8	210.9	+2.5
Fixed Interest Fund	187.9	190.7	−2.2
UK Equity Fund	226.5	235.4	+3.6
Property Fund	129.2	135.0	+0.2
Overseas Fund	217.2	228.1	+9.4
Index Linked Fund	116.1	117.8	−0.3
Stock Exchange Fund	118.2	121.2	+1.6

Prices December 19. Until dealings on Wednesday
Initial unit prices available on request, telephone 0272 290566

Closing prices, December 21

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	15¾	AAR	.48	2.6	14	146	18¾	18	18⅝	+⅛
30½	9⅛	AGS			9	89	11⅞	11⅛	11⅞	+½
17⅞	13⅝	AMF	.50	3.6	78	292	14⅛	14	14	−⅛
41¼	24¾	AMR			6	3701	36	35	35¼	−¼
20⅞	18¾	AMR	pf2.18	11		91	19⅝	18⅞	19⅝	+⅛
41½	27½	AMR	pf2.13	5.7		265	37	36	37	+½
15⅝	8½	APL			3	30	11½	11⅛	11⅛	−⅛
63¾	44¾	ASA	3	6.2		865	48⅝	46⅞	48½	+2⅞
30⅞	16	AVX	.32	1.9	10	301	16⅞	16½	16½	−⅛
46¾	32⅝	AbtLab	1.20	2.9	13	2114	42	40¾	41¼	−¼
23⅞	16½	AccoWd	s.44	1.9	19	149	22¼	22⅛	22¼	+⅛
27¼	12½	AcmeC	.40	3.0		88	13¼	13	13¼	
12⅞	8¾	AcmeE	.32b	3.6	12	72	8⅞	8⅞	8⅞	
18⅞	15	AdaEx	2.11e	13.		73	16⅞	16¼	16⅞	−⅛
16½	11⅞	AdmMI	.32	2.1	8	13	15⅞	15¼	15¼	+¼
21½	8⅞	AdvSys	.811	8.0	16	203	10½	10	10⅛	
41⅞	25⅞	AMD			13	2935	28⅞	27⅞	28¾	+¼
14⅞	5⅞	Advest	.12	1.5		43	7⅞	7¼	7¼	−⅛
16¼	8¾	Aeriex			9	38	10⅞	10¼	10¼	−⅛
39	27¼	AetnLf	2.64	7.4	30	3891	36⅞	35¼	35⅞	−⅛
34½	15⅞	Ahmns	1.20	4.7	11	340	25¾	24¾	25¾	−¼
5⅞	2⅞	Aileen				61	2⅞	2⅞	2⅞	
48⅞	36½	AirPrd	1.20	2.6	10	808	47	46⅞	46⅞	+⅞
30½	13	AirbFrt	.60	3.2	10	56	19	18½	18½	−¼
4¼	1⅞	AlaMoa	.50e	13		783	4	3⅞	4	
31	25¾	AlaP	pfA3.92	13		13	30¼	29⅞	30¼	

Continued on Page 13

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, December 21

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Continued on Page 14

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 12

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
20½	16½	Wynns	.60	3.5	6	25	17½	17¼	17¼	-⅛

X–Y–Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
52⅛	33¼	Xerox	3	7.9	11	2322	38¼	37⅝	37⅞	-½
50½	45¼	Xerox	pf5.45	11.		342	48⅝	48½	48⅝	+½
36¼	19	XTRA		2.7	9	58	23⅞	23½	23¼	+½
31½	24	ZaleCp	1.32	4.9	8	45	27½	26¾	26¾	-1
24	19½	ZalepfA	.80	3.7		3	21½	21½	21½	-1
24⅞	15¼	Zapata	.84	5.4	12	215	15½	15¼	15½	
49	28¼	Zayre	.40b	.9	13	264	47⅛	46⅝	46¾	-⅛
38⅜	20	ZenithE			7	739	21⅛	20⅞	20⅞	-⅞
27⅜	18	Zero	.40	1.8	17	33	22⅞	22⅝	22⅝	+¼
30½	21⅛	Zumin	1.32	4.7	12	120	28	27½	28	+⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER *Nasdaq national market, closing prices, December 21*

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Continued on Page 15

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 13

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CANADA

TORONTO
Closing prices December 21

[illegible]

MONTREAL
Closing prices December 21

3099	§	Bank Mont	$26½	26	
12145	§ConBath	$16¼	16	16	
1698	§	DomT	$12⅝	12⅝	12⅝
500	§ MntTrst	$12½	12¼	12¼	− ½
87205	§NatBk Cda	$14½	14½	14½	− ⅛
37400	§Power Corp	$28⅛	28⅛	28⅛	+ ⅛
27370	§Royal Bank	$30⅝	30⅝	30⅝	
1780	§	RoyT	$18⅜	18⅜	18⅜

Total sales 1 692 790 shares

DENMARK

1984 High	Low	Dec. 14	Price Knr. %
382	216	Andelsbanken	282
720	510	Baltic Skand	555
350	207	CopHandelsbank	284
850	505	D. Sukkerfab.	510
335	205	Danske Bank	284
1,900	930	De Danske Luft.	1,175
218	150	East Asiatic	153
1,250	720	Forenede Brygg.	770
153	65	Forenede Damp.	97
700	360	GNT Hldg	370
725	364	I.S.S.B.	372
760	443	Jyske Bank	515
3,150	1,200	Novo Ind.	1,320
372	203	Privatbanken	243
370	283	Provinsbanken	343
300	200	Smidth (F.)	299
1,375	845	Sophus Berend	920
588	411	Superfos	419

FRANCE

1984 High	Low	Dec. 21	Price Frs.
1,999	1,630	Emprunt 4½% 1975	1,646
10,020	8,030	Emprunt 7% 1973	8,187
244	202	Accor	239.8
578	497	Air Liquide	570
519	375	BIC	490
1,995	1,415	Bongrain	1,690
[illegible]			

GERMANY

[illegible]

NETHERLANDS

[illegible]

SWITZERLAND

[illegible]

NORWAY

[illegible]

ITALY

[illegible]

SWEDEN

[illegible]

AUSTRIA

1984 High	Low	Dec. 14	Price %
228	202	Credit'stalt Pfd.	227
342	318	Goesser	330
410	381	Interunfall	400
228	203	Laenderbank	228
389	300	Perlmooser	360
167	139	Steyer-Daimler	166
252	206	Veitscher Mag	248

BELGIUM/LUXEMBOURG

1984 High	Low	Dec. 14	Price Frs.
2,085	1,670	B.B.L.	1,885
5,600	4,865	Banq. Int. A. Lux	5,500
5,000	3,105	Bekaert B.	4,600
2,800	2,010	Ciment CBR	2,500
328	175	Cockerill	275
6,050	4,750	Delhaize	5,470
[illegible]			

AUSTRALIA

1984 High	Low	Dec. 21	Price Aust. $
5.93	4.27	ANZ Group	5.08
1.05	0.50	Alliance Oil Dev.	1.05
2.11	1.40	Ampol Pet.	1.75
1.05	0.80	Ashton	0.81
1.97	1.65	Aust. Cons. Ind.	1.86
3.4	2.35	Aust Guarantee	2.6
2.75	1.90	Aust. Nat. Inds.	2.43
2.46	1.80	Aust. Paper	2.16
6.40	3.90	Bell Group	4.5
8.90	3.50	Bell Res.	4.05
1.72	1.15	Bond Corp Hldgs	1.16
4.00	3.02	Boral	3.18
2.72	1.42	Bougainville	1.7
3.62	2.50	Brambles Ind	3.55
3.62	2.1	Bridge Oil	2.2
6.08	4.62	B.H. Prop.	4.98
6.20	4.46	CRA	4.9
4.28	2.71	CSR	2.78
4.56	3.82	Carlton & Utd	4.30
5.56	4.08	Castlemaine Tys	4.25
4.24	3.30	Coles (G.J.)	3.9
3.22	2.00	Comalco "A"	2.1
1.30	0.37	Consolidated Pet	0.59
1.6	1.10	Costain Aust.	1.4
2.00	1.45	Dunlop Aust.	1.85
3.53	2.35	Elders IXL	3.05xc
1.80	1.30	Energy Res	1.4
2.40	1.85	Gen. Prop. Trust	2.18
3.95	2.88	Hardie (James)	3.0
3.3	1.80	Hartogen Energy	2.2
4.55	2.95	Herald W'y Times	3.4
2.35	1.75	ICI Aust.	2.05
0.48	0.18	Jimberlana F.P.	0.3
0.20	0.11	Kiaora Gold	0.11
[illegible]			

SINGAPORE

[illegible]

HONG KONG

[illegible]

JAPAN

1984 High	Low	Dec. 21	Price Yen
1,270	980	Ajinomoto	1,080
2,860	1,830	Alps Electric	1,980
1,410	985	Amada	1,160
680	405	Asahi Chem.	680
920	655	Asahi Glass	870
653	526	Bridgestone	540
1,670	1,070	Canon	1,340
1,860	1,080	Casio Comp.	1,810
1,170	940	Chugai Pharm.	1,130
709	446	Citizen	585
737	620	Daiei	632
1,180	875	Dai Nippon Ptg	979
600	435	Daiwa House	580
390	307	Ebara	331
1,570	965	Eisai	1,350
12,900	7,385	Fanuc	11,110
1,340	500	Fuji Bank	1,320
2,310	1,490	Fuji Film	1,660
1,210	752	Fujisawa	960
1,540	1,080	Fujitsu	1,380
2,080	1,490	Green Cross	1,570
453	320	Hasegawa	370
684	527	Heiwa Real Est.	578
1,000	780	Hitachi	869
1,930	1,030	Hitachi Credit	1,150
1,490	989	Honda	1,280
899	671	House Food	880
2,870	1,460	Hoya	2,250
340	274	Itoh (C)	328
2,630	1,740	Ito-Yokado	2,590
2,420	1,180	Iwatsu	1,350
404	313	JACCS	338
6,650	2,460	JAL	5,250
[illegible]			

SOUTH AFRICA

[illegible]

SPAIN

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 14

[illegible]

Indices

NEW YORK — DOW JONES

	Dec. 21	Dec. 20	Dec. 19	Dec. 18	Dec. 17	1984 High	1984 Low	Since Compiltn High	Since Compiltn Low
◆Industri'ls	1198.98	1203.29	1208.04	1211.57	1176.79	1286.64 (6/1)	1086.57 (24/7)	1287.20 (29/11/83)	41.22 (2/7/32)
H'me Bnds	72.64	72.59	72.75	72.92	72.06	72.92 (18/12)	64.81 (25/5)	—	—
Transport	550.36	551.71	556.13	554.25	539.86	612.63 (9/1)	444.03 (25/7)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities	148.80	148.80	148.86	149.95	145.77	149.93 (18/12)	122.25 (15/6)	163.72 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	101,270	93,220	139,630	169,800	89,490	—	—		—

◆Day's High 1210.14 (1210.52) low 1186.64 (1198.87)

	Dec. 14	Dec. 7	Nov. 30	year ago (approx)
Industrial div. yield %	4.99	5.04	4.92	4.54

STANDARD AND POORS

	Dec. 21	Dec. 20	Dec. 19	Dec. 18	Dec. 17	1984 High	1984 Low	Since Comp'tn High	Since Comp'tn Low
Indust'ls	184.63	185.37	186.15	187.55	182.41	191.48 (6/11)	167.74 (24/7)	194.84 (10/10/83)	3.52 (30/6/32)
Comp's'te	165.51	166.38	167.16	168.11	163.61	170.41 (6/11)	147.82 (24/7)	172.15 (10/10/83)	4.40 (1/6/32)

	Nov. 28	Nov. 14	Nov. 7	year ago (approx)
Industrial div. yield	4.12	4.07	3.95	3.72
Industrial P/E ratio	10.60	10.69	10.89	14.43
Long Gov. Bond Yield	11.37	11.71	11.57	11.49

N.Y.S.E. ALL COMMON

[illegible]

Rises and Falls	Dec. 21	Dec. 20	Dec. 19
Issues Traded	2,031	2,042	2,070
Rises	602	621	879
Falls	962	952	764

[illegible]

BUILDING

£12.8m Oldham work for Higgs and Hill

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

HIGGS and HILL has been awarded a £12.8m cantract by the North Western Regional Hospital Authority as part of an £18m redevelopment programme at Oldham General Hospital in Lancashire.

The contract forms part of the Authority's £220m three year buildling prograomme for the region, which includes the Manchester area.

Work under the £18m redevelopment at Oldham General includes demolishing the Victorian workhouse which was the original hospital and then building four linked three storey blocks to provide 300 new beds and seven operating theatres.

Higgs and Hill Northern was awarded the contract after submitting the lowest tender. Work will start on the site in the second week of January.

★

A contract to supply radiation monitoring equipment worth £1.3m is the largest single order for this type of equipment ever received by **NUCLEAR ENTERPRISES**, part of the measurement division of Thorn EMI Electronics. The order, placed by Wimpey Construction (UK), is for a range of equipment capable of detecting very low levels of radioactive contamination. It will be used by British Nuclear Fuels at Sellafield for workers engaged in processing radiactive materials.

★

BALFOUR BEATTY has won contracts worth over £1.5m. In Scotland Balfour Beatty Construction has been awarded two contracts by Strathclyde Regional Council. A single-storey extension to Craighead Primary School, Milton of Campsie, will be constructed under a £488,000 contract. A second contract, worth £320,000, for completion in 12 months, is under way at Alexandria and includes a single-storey building for social work area offices.

★

The Welsh Development Agency has awarded a £2.54m contract to **WIMPEY CONSTRUCTION UK** for dredging some 1.45m cu metres of the Dee Estuary. Work includes dredging, pumping the dredged material to Deeside Industrial Estate in Shotton, North Wales, to provide 1.2m cu metres of landfill with lagoon, and topsoil stripping and final seeding, for completion in July. Refurbishment, worth £1.36m, of a factory at Stonehills, Gateshead, is to be undertaken by Wimpey for Tyne and Wear County Council. The scheme will adapt a single-storey factory and adjoining two-storey office block to provide communal facilities, commercial units, workshops, youth training premises and offices. Five advance factories are to be built by Wimpey for English Estates at Consett, County Durham under a £979,000 contract.

ALLEN-WELLERMAN, division of the Allen Building Group, Wigan, has won a £300,000 contract for the formal gardens at the Stoke National Garden Festival which opens in 1986.

★

TAYLOR WOODROW CONSTRUCTION CORP. is carrying out remodelling work, valued at more than $250,000, on the Alfred Dunhill store in New York's Rockefeller Center. The contract, due for completion in March, is in two phases. The first construction of a low-storey between basement level and street level, drywall partitioning and ceilings. The second includes finishes, electrical work and air conditioning. The store will remain open for business throughout.

★

Contracts totalling more than £8m for refurbishment, repair, building and maintenance have been awarded to **R. MANSELL**, Croydon. Following refurbishment of part of the exterior of St Ermins Hotel, SW1, further work worth £1.7m is to be carried out. This includes refurbishment to the remainder of the exterior, rfurbishment of 135 bedrooms, conversion of the westw ing from offices into bedroom suites and work to the corridors and staircases. Other contracts include an £800,000 refurbishment for the London Borough of Southwark involving the replacing of window panels and installation of central heating in two blocks of flats at Plough Way Estate, SE16; at Street, E2, repairs to the external concrete cladding of two blocks of flats for the London Borough of Tower Hamlets under a contract worth almost £700 000; at Faylands Estate, SW16, a £610,000 refurbishment of 13 blocks of flats for the London Borough of Wandsworth; and for the London Borough of Croydon under a contract worth £380,000, the superimposing of pitched roofs on to flat roofs of five blocks of flats at Agar Grove Estate, NW1.

★

J. JARVIS & SONS has been selected to build a £5m hotel in the old Salford Docks area of Manchester, now a major enterprise zone. The project is in partnership with Caledonian Hotel Management and the property developers Urban Waterside.

The four-storey, 164 bed-roomed hotel forms the initial stage of the 26-acre first phase in this sector of the Salford Enterprise Zone. Work has just commenced and the hotel will be completed and operating in 1986 when CHM will take over the administration and day-to-day management.

The hotel will comprise traditional and part precast concrete construction. A major feature is the three-storey entrance hall with a glass screen providing views of the already well-established marina.

Situated near to the Manchester Ship Canal, other proposed buildings in this part of the enterprise zone include shops, offices and houses.

★

QUARMBY CONSTRUCTION COMPANY, Ilkley, has been awarded contracts totalling £3m. Largest project is a four-storey office building in Leeds for the Department of Health and Social Security to be completed in October, 1985. Other work includes a factory and office complex in Leeds to be occupied by Rempley; non-food retail units are being built in Macclesfield and Pontefract for occupation by FADS; and in Bradford, refurbishment of office is being undertaken for the Bradford and Bingley Building Society and industrial units are being erected on Wakefield Road.

★

NORWEST HOLST SCOTLAND has begun work on a £1.7m contract to construct Bellshill Main Street bypass for Strathclyde Regional Council. The contract covers the construction of 2.4 km (1.5m) of single carriageway 7.3m (25ft) to 13m (42ft) wide, some 50 per cent of which will be on embankment up to 5m (11ft) high. Work includes three roundabouts, three pedestrian underpasses and a footbridge, together with substantial drainage works, kerbing, footway construction, services alterations and accommodation works. The project is to be completed in December 1985 and is under the supervision of Strathclyde Regional Council roads department.

★

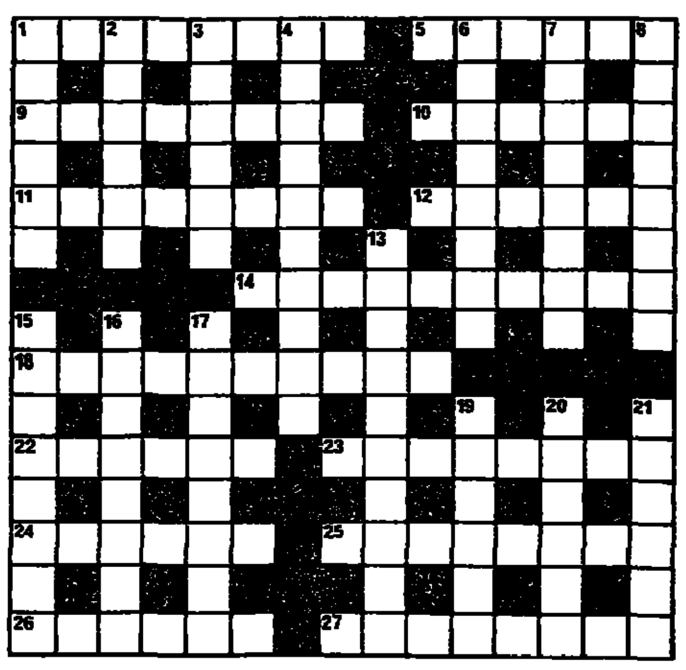
WILLIAM TOWNSON AND SONS, Bolton, has won a £1.18m contract from Municipal Mutual Insurance to construct a 44,361 sq ft distribution depot including 2,299 sq ft of office accommodation in Southwood, Farnborough. The depot is for Puritan Maid, a wholly-owned subsidiary of Trust House Forte, for the storage and distribution of food products.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,602



ACROSS

1 Writer to run away with Odysseus' wife (8)
5 Defeat a good man in French sea (6)
9 Athenian statesman amended price to little boy (8)
10 Wedding breakfast places for youths? (8)
11 Taking up choice (8)
12 Far from sweet—a pupil is vicious! (6)
14 Cast down? Just the reverse (10)
18 Virtually the same colour thanks to horse (10)
22 Kind character (6)
23 In modern surroundings, it is rejected as taciturn (8)
24 A tenor could be decorated (6)
25 Admirer and old master go to dance (8)
26 One may be put out getting others' opinions (8)
27 Achievement indeed beaten! (8)

DOWN

1 Father gets meat in Hampshire (6)
2 Hurried up to use oars for this boat? (6)
3 Find senior officer amongst the dead (6)
4 Hope no men change new prodigy (10)
6 A gentle mother may be obvious (8)
7 Deducted from score (8)
8 It's true—Leos can be determined (8)
13 No good expert turning up—talked about food! (6-4)
15 Deadlock seen at Twickenham? (8)
16 Fashionable posture for example (8)
17 Better artist repairs clasp (8)
19 Puzzle topless cook (6)
20 Coober discovered in European Utopia (6)
21 Way round has no bearing in Gloucestershire (6)

The solution to the Christmas Crossword will be published with names of winners on Saturday January 5.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Midland Bank Tst Corp (Jersey) Ltd
28-34, Hill St, St Helier, Jersey. 0481 26741
MdBkOsGt 105.1 105.5 .... 11.37

Minerals Oils Res Shrs Fd nc
PO Box 194, St Helier, Jersey. 0534 27441
MdBkIntBd $1.07 1.08 .... 7.41
MresDc20 $10.46 10.78 −0.31 3.71

Samuel Montagu Ldn Agents
114, Old Broad St. EC2. 01-628 3434
MtAmEl(z) 102.5 107.7 +0.5 5.36
MtJapInc(z) 71.8 75.5xd +0.6 4.11
MntGltInc(z) 49.8 52.5 .... 10.23
MtRsD18 £15.19 15.20 .... 9.17
MtInDc18 $9.57 9.10 .... —
ApDc18 SF104.05 110.75 .... 1.26
JpDc17 HK$42.87 46.40 .... 0.15
117GpN30 $17.43 18.75 .... 1.38
MFRNFD19 10.20 10.22xd .... —
USFIFNv6 $11.22 11.82 .... —

Murray Johnstone (Inv Adviser)
163, Hope St, Glasgow, C2. 041-221 5521
HpeStD18 $17.28 72.05 .... —
MurFdD20 £18.98 20.22 .... —
PacFdDec19 $4.00 4.28 .... —

NEL International Ltd
PO Box 119, St Peter Port, Guernsey, C.I.
Sterling Dep 77.3 81.4 .... —
SterlFxdInt 89.0 93.7 .... —
Sterling Man 93.5 103.8 .... —
Inc Fxd Man 104.8 113.9 .... —
Int Man 104.2 113.2 .... —

Nat Westminster Jersey Fd Mgrs Ltd
23/25 Broad St, St Helier, Jersey. 0534 70041
HgInFd(a)(b) 56.0 53.8 +1.0 10.71
EqtyFd(a)(b) 109.0 102.5 −1.0 2.05
IntBdFd(a)* 82.0 79.6xd 6.30
*Sub day every Thurs.

County Bank Currency Fund (z)
Dollar Class $23.1942 +0.0168 —
Sterling Class £11.4976 +0.0096 —
D-Mark Cl DM53.6567 +0.0201 —
DutchGldrCl Dfl 53.6026 +0.0176 —
Jap Yen Cl Y5.445.1792 +2.5424 —

Nagit SA
10a Boulevard Royal, Luxembourg.
NAV 9.24 .... —

Newport International Management
Bank of Bermuda Bldg, Bermuda. 809 295 4000
NptIntSec $15.24 — .... —
NptIntInc $14.57 — .... —
NptPacific $11.80 — .... —

Norcap Fund Managers (Bermuda) Ltd
Bank of Bermuda Bldg, Bermuda. 809 295 4000
Amer Tst $7.94 8.25 .... —

Normandy Trust Managers Ltd
29, Athol St, Douglas, IoM. 0624 29696
Ndy Mt £0.9672 1.0182 .... 2.00
Ndy CT £1.2327 1.2977 .... 2.00
ChCGr £0.7851 0.8054 .... 2.00

Northgate Unit Tst Mngrs (Jersey) Ltd
PO Box 82, St Helier, Jersey. 0534 73741
PacFdDc19 $1.53 12.40 .... —

Pacific Basin Fund
10a Boulevard Royal, Luxembourg.
Inv. Adv., M & G Inv. Mngt. Ltd., London.
NAV $15.81 +0.05 —

Perpetual UT Mngrs (Jersey) Ltd
PO Box 459, St Helier, Jersey. 0534 74517
OffshrGrw $1.12 1.191 .... —

Phoenix International
PO Box 77, St Peter Port, Guernsey. 0481 23539
IntDollarFd $4.01 4.32 .... —
Far East Fd $3.34 3.60 .... —
Int Crrcy Fd $1.70 1.84 .... —
DlrFxdIntFd $4.15 4.47 .... —
StgEx £2.55 2.76 .... —

Providence Capitol International Ltd
PO Box 121, St Peter Port, Guernsey. 0481 26726/9
£UKFxdInt 162.5 174.8 .... —
£UKStkMkt 173.0 186.1 .... —
£StMdFd 148.3 159.6 .... —
£SpcMkFd 96.9 104.2 .... —
$IntStkMkt 91.7 98.7 .... —
$IntFxdInt 121.7 130.9 .... —
$DllrMdFd 110.1 118.4 .... —
$IntCurrncy 107.6 115.8 .... —
$WldTech 125.5 135.0 .... —
$NAMSkMt 98.2 105.6 .... —
$ Far East 104.9 112.8 .... —
SwFrMgd S5.029 5.407 .... —
Prices Dec 19. Next dealing Dec 27.
For other prices ring 0481 26726-9.

Putnam International Advisers Ltd
10 12 Cork St, London, W1. 01-439 1391
Emerg Health Sci $8.63 —
International Fd $54.88 +0.67 —
For Quest Fund Man. (Jersey) see Royal Trust Intnl. Mngt.

Quilter/Heinold Commodities
31-45 Gresham St, EC2V 7LH 01-600 4177
Resce Fd $133.22 — 2.12
Next dealing date Dec 3.

Rea Brothers (IoM) Ltd
29 Athol St, Douglas, IoM. 0624 29696
Bond Fd £1.2875 1.35 .... 7.75

Richmond Life Ass Ltd
4 Hill Street, Douglas, IoM. 0624 28441
Gold Bond 230.6 245.2 +2.8 —
StrDpBd 179.56 191.97 .... 9.17
UK Gilt Fd 168.4 179.0 +0.8 —

Rothschild Asset Management (CI)
St. Julian's Ct, St Peter Port, Guernsey. 0481 26741
OCAmerFd* $2.70 2.86xd −0.02 0.98
OCsCo*** 205.4 217.7 .... 1.54
OC Cdy*** 122.2 129.9 .... 2.40
OCSCmdy* 529.17 30.92 −2.63 1.90
HK F†† HK$38.77 41.09 .... —
***Pcs Dec 7. N.D. Dec 21. *Pcs Dec 21. N.D. Jan 7. ††Dlg. ev. Wed.
ICIR £ £16.117 +0.004 8.75
OCIR A$ A$16.053 +0.005 9.52
OCIR C$ C$41.632 +0.011 9.23
OCIR Dfl Dfl 53.70 +0.01 4.61
OCIR DKr DKr162.251 +0.045 10.14
OCIR DM DM54.046 +0.007 4.69
OCIR BFr BFr966.08 +0.24 9.31
OCIR FFr FFr188.975 +0.035 9.62
OCIR HK$ HK$107.057 +0.016 5.62
OCIR Lire L44.382 +17 13.74
OCIR S$ S70.89 +0.01 5.11
OCIR SF SF47.7192 +0.0053 3.92
OCIR US$ $33.386 +0.008 7.85
OCIR Yen Y6.746.27 +0.88 5.30
OC Man £ £9.75620 10.05784 —
OCM DM DM38.84524 40.04666 —
OC Man $ $11.63899 11.99895 —

Rothschild Australia Asset Mgmt Ltd
17 Bridge St, Sydney 2000, Australia.
Five Arrows $1.39 1.42 +0.01 6.30

Rouse Woodstock (Bermuda) Ltd
POB 1179 Hamilton, Bermuda. 809 295 2244
Systemtrend $9.88 .... —

Royal Bank of Canada Funds
PO Box 246, St Peter Port, Guernsey. 0481 23021
RBC Invest Managers Ltd
IntIncFd $9.93 10.58 .... 7.70
IntlCapFd $16.91 18.34 +0.16 —
FrEst&PacF $9.96 10.29 .... —
Canadn Fd C$10.02 10.61 .... —
U.S. $ $23.95 +0.02 —
Canadian $ C$29.77 +0.02 —
£ Sterling £11.92 +0.01 —
D-Mark DM54.48 +0.02 —
Swiss Franc SF42.12 +0.01 —
Japanese Yen Y6.633 +3 —
Managed Fund $22.23 +0.01 —

Royal Trust Intnl Fd Mgmt Ltd (x)
PO Box 104, St Helier, Jersey. 0534 27441

c/o Vickers da Costa Ltd, King William St, London, EC4. 01-623 2494
NAV $480, IDR value US$11,851.47.

Target Trust Mngrs (Jersey) Ltd
PO Box 194, St Helier, Jersey. 0534 72936
Man Cur Fd 106.0 111.7 −0.3 4.12

Tennant (Cayman) Managers Ltd and NATCO
PO Box 2189, Grand Cayman. 0101 (809) 9497436
Wstmstr-Cm $7.66 8.08 −0.71 —

Tokyo Pacific Holdings NV
Intimis Management Co NV, Curacao.
NAV per share $138.66.

Tokyo Pacific Hldgs (Seaboard) NV
Intimis Management Co NV, Curacao.
NAV per share $98.91.

Tyndall Bank (Isle of Man) Ltd
30 Athol St, Douglas, IoM. 0624 29201
Stg Mny Fd 9.25 Nil Qtr Chg/7
US$MnyAcc 7.25 Nil Qtr Chg/7

Tyndall Managers
2 New St, St Helier, Jersey. 0534 37331/3
TOFSL 198.1 212.8 .... 1.17
American 213.0 230.0 .... 1.74
Far Eastern 269.0 288.0 .... 0.87
European 114.2 122.4 .... 0.81
Prtflo Man 106.4 114.3 .... —
Prtflo Amer 102.6 110.8 .... —
PrtfloSlrEst 110.3 118.1 .... —
PrtfloSoEur 107.2 114.8 .... —
Jersel Fd 172.8 188.6xd 4.89
(Nn-JccUts) 423.2 461.8 .... —
Gilt Funds 115.6 117.6xd 10.17
(AccumShs) 312.0 317.4 .... —
Victory House, Douglas, IoM. 0624 2411
HighIntGilt 111.6 113.8 .... 12.38
(Accum Shs) 214.4 218.4 .... —

Tyndall International Assurance Ltd
Albert House, St Peter Port, Guernsey. 0481 27066
Int Equity 444.1 464.4 .... —
Do $ 5.155 5.430 .... —
PacificEqty 139.3 146.7 .... —
Do $ 1.625 1.715 .... —
NAmerEqty 95.4 100.5 .... —
Do $ 1.115 1.175 .... —
UK Equity 300.0 325.3 .... —
Do $ 3.610 3.800 .... —
Euro Eqty 119.8 126.2 .... —
Do $ 1.400 1.475 .... —
IntlFxdInt 474.6 499.6 .... —
Do $ 5.550 5.845 .... —
StlgFxdInt 274.3 288.8 .... —
Do $ 3.025 3.375 .... —
$ Deposit 149.3 157.2 .... —
Do $ 1.745 1.840 .... —
StgDeposit 157.4 165.7 .... —
Do $ 1.840 1.940 .... —
Commdity 463.9 488.4 .... —
Do $ 5.425 5.715 .... —
Gold 80.8 85.1 .... —
Do $ 0.945 0.995 .... —
UK Proty 195.2 205.5 .... —
Do $ 2.280 2.400 .... —
Intl Mngd 370.0 389.5 .... —
Do $ 4.325 4.555 .... —
UK Mangd 263.6 277.5 .... —
Do $ 3.080 3.245 .... —

Tyndall-Guardian Mngt Ltd
PO Box 1256, Hamilton, Bermuda.
T-G American $19.88 .... —
T-G Money $24.14 .... —
T-G Eurobond $16.82 .... —
T-G Commodity $22.45 .... —
T-G Mortgage C$22.24 .... —
T-G Overseas $10.90 .... —
T-G Wall Street $25.39 .... —
T-G Pacific Y2.063 .... —
T-G Gold $7.88 .... —

M. G. Tyrrell & Co Ltd
PO Box 415, London W13 9NY.
Ortac $11.65 11.95 .... —

Unico Invest Fd Mgt Co SA Lux
London & Continental Bankers Ltd
2 Throgmorton Ave, London 01-638 6111
UC Inv Fd $69.91 72.00 −0.10 —

Union-Investment-Gesellschaft GmbH
Postfach 16767, D 6000, Frankfurt 16.
Unifds DM19.58 20.60 +0.10 —
Unirak DM71.32 74.90 −0.30 —
Unirents DM40.18 41.40 +0.10 —

United Fund Managers Ltd
16-18 Queens Rd Central, Hong Kong. 5-231417
5 Mly Tst 9.00 9.39 .... 10.08
For Vanbrugh Currency Fund see Holborn Fund Management (Jersey) Ltd

S. G. Warburg & Co Ltd and subsdrs
33 King William St, EC3R 9AS. 01-280 2222
Energy Int $42.20 — +0.07 —
Eurobond $16.28 16.45 +0.06 7.3¼
Sel Risk $15.23 15.78 .... 1.58
39-41 Broad Street, St Helier Jsy, CI. 0534 74715
Cmn Mkt £28.14 28.85 .... 1.35
Far East £27.48 28.18 .... 0.89
Transatl £26.58 27.25 +1.44 1.80
Metals £12.32 12.62 −1.33 9.19
Sel Mkt £21.69 22.24xd +0.87 1.58
Mercury Money Market Trust Ltd
D-Mark DM79.55 +0.04 —
Dutch Guilder Dfl107.09 .... —
Japanese Yen Y8.029 .... —
£ Sterling £20.12 +0.03 —
Swiss Franc SwFr77.62 +0.02 —
U.S. $ $34.12 +0.04 —
1 Thomas St Douglas, IoM. 0624 4856
Iom 58.4 62.2 −0.1 7.60
Intl Bond 41.5 44.2 −0.4 6.5

Wardley Fund Managers (Jersey) Ltd
HK Bk Bldg, Grenville St, St Helier. 0534 71460
WrdlyGltFd 100.0 104.0 .... 10.82

Wardley Investment Services Ltd
4th Floor, Hutchinson House, Hong Kong.
Wrdly Trust $5.30 5.67 .... 1.41
WdyNKAF $26.92 28.55 .... 5.25
WrdlyRdT $10.36 11.00 .... 7.36
WrdlyJapT $33.39 35.40 .... 0.28
WrdlyPrCT $10.17 10.70 .... 2.06

West Avon Secs (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey. 0481 27963
Gilt&OptFd £1.20 1.26 .... 5.00
U.S. & Opt $0.94 0.99 .... —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg.
Inv. Adv.: M&G Inv. Mngt. Ltd., London.
WwdGthFd $11.29 — −0.03 —

Wren Commodity Management Ltd
10, St George's St, Douglas, IoM. 0624 25015
Wren Com Fd 12.7 13.2 .... 3.10
Chinese Fd 58.8 61.2 .... 1.70
PrecMetFd 80.3 83.6 .... 6.30
VangCmdyFd 22.8 23.4 .... —
FinFuturesFd 32.4 33.8 .... —

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.
Dynamic Grw Fd $9.04 −0.09 —

Money Market Trust Funds

Money Market Bank Accounts

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Red.
21 Nov	21 May	Treas 3pc 1985	97	15.10	3.08	10.04
15Jan	15Jul	Treas 11¼pc 1985	100	10.12	11.40	9.96
3 Mar	3 Sep	Treas 8¾pcCnv '85	99¼	30.7	8.83	10.02
22 May	22 Nov	Exch. 12¼pc 1985	101	16.10	12.03	10.06
25 Aug	25 Feb	Exch. 11½pc '86	101¼	9.93	11.59	10.36
11Oct	11Apr	Treas. 10pcCnv 1986	99	4.9	10.06	10.44
19 Nov	19 May	Treas 3pc 1986	92	15.10	3.23	8.38
19 Nov	19 May	Exch. 10½pc Cv '86	100¼	15.10	10.49	10.40
12Dec	12Jun	Treas 12pc 1986	101	5.11	11.79	10.62
10 Jan	10 Jul	Treas. 8½pc 1984-86‡‡	97¼	4.12	8.74	10.53
29 Apr	29 Oct	Exch. 14pc 1986	105	24.9	13.29	10.70
21 May	21 Nov	Exch. 2½pc 1986	88¾	15.10	2.82	9.14
22Jul	22Jan	Exch. 13¼pc 1987	104	17.12	12.67	10.76
10 Aug	10 Feb	Treas 10¼pcCv '87	98	4.7	10.37	10.84
24Aug	24Feb	Exch 2½pc 1987	86¼	18.7	2.88	9.40
6Oct	6Apr	Exch. 10½pc 1987	99	3.9	10.57	10.82
1 Nov	1 May	Funding 6½pc '85-87‡‡	91½	25.9	7.10	10.69
12Dec	12Jne	Treas. 10pc 1987	98	5.11	10.17	10.80
14Jan	14Jly	Treas 3pc 1987	85¾	10.12	3.50	9.50
3May	3Nov	Treas. 12pc 1987	102¾	27.9	11.69	10.88
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	92¼	20.12	8.39	10.74
10Nov	10May	Exch 10½pc '88	98	4.10	10.66	11.04
14Dec	14Jun	Treas 9¾pc Cv '88	96¼	7.11	10.12	11.04
1Jan	1Jul	Transport 3pc '78-88	81½	25.5	3.68	9.30
25 Apr	25 Oct	Treas. 9½pc '88	94	18.9	10.01	11.14
22 Aug	22 Feb	Treas 11½pc 1989	101¼	16.7	11.37	11.12
18 Oct	18 Apr	Treas 9½pc Cnv. '89	94	11.9	10.01	10.99
14Dec	14Jun	Treas 10½pc 1989	97	7.11	10.73	11.12
1Feb	1Aug	Exch 10pc 1989	95	25.6	10.45	11.21
29 Mar	29 Sep	Exch 11pc 1989	99	—	11.08	11.15
15 Apr	15 Oct	Treas 5pc 1986-89	81¼	10.9	6.14	9.97

Five to Fifteen Years

15 Jul	15 Jan	Treas 13pc 1990‡‡	106	10.12	12.12	11.08
22 Sep	22 Mar	Exch. 12½pc 1990	108¼	16.8	11.91	11.21
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	90¼	8.11	9.12	10.59
25 Apr	25 Oct	Treas. 10pcCv 1990	96¼	18.9	10.52	11.37
10Jan	10Jan	Treas 11¾pc 1991	101½	4.12	11.53	11.30
5Oct	5Apr	Funding 5¾pc '87-91‡‡	82¼	3.9	7.06	9.77
25Apr	25Oct	Exch. 11pc 1991	100	18.9	11.11	11.20
22Jly	22Jan	Treas 12¾pc 1992‡‡	106	17.12	11.99	11.32
21Aug	21Feb	Treas 10pc 1992	98	16.7	10.58	11.11
7May	7Nov	Treas 10½pc Cv 1992‡‡	99	—	10.84	11.11
25Feb	2Aug	Exch. 12¼pc '92	108¼	19.7	11.75	11.40
22Mar	22Sep	Exch 13½pc 1992	113	16.8	12.26	11.48
14Jan	14Jul	Treas 12½pc 1993‡‡	105½	10.12	11.78	11.38
15Mar	15Sep	Funding 6pc 1993‡‡	78¼	9.8	7.79	10.00
23May	23Nov	Treas 13¾pc 1993‡‡	114¼	17.10	12.18	10.00
1 Sept	1 Mar	Treas 14½pc 1994‡‡	123	26.7	12.25	11.24
27Oct	27Apr	Exch 13½pc 1994	114	20.9	12.08	11.41
22Feb	22Aug	Exch. 12½pc 1994	110¼	16.7	11.75	11.38
17May	17Nov	Treas 9pc 1994‡‡	89	11.10	10.12	10.85
25Jul	25Jan	Treas 12pc 1995	102	19.12	11.59	11.40
1Nov	1May	Gas 3pc '90-95	64¼	25.9	4.70	8.27
21Jan	21Jul	Exch. 10¼pc 1995	93¾	17.12	10.85	11.17
15May	15Nov	Treas 12¾pc 1995‡‡	110	9.10	11.68	11.26
22Jly	22Jan	Treas. 14pc '96	115½	17.12	12.02	11.35
15Sep	15Mar	Treas 9pc 1992-96‡‡	90	9.8	10.22	10.86
3Nov	3May	Treas 15¼pc 1996‡‡	126¼	27.9	12.26	11.36
15Nov	15May	Exch 13¼pc 1996‡‡	114¼	9.10	11.71	11.17
1Apr	1Oct	Redemption 3pc 1986-96	69¼	28.8	4.27	6.96
22Jul	22Jan	Treas 13¼pc 1997‡‡	113	17.12	11.63	11.13
21Aug	21Feb	Exch 10½pc 1997	100¼	16.7	10.89	11.02
1Mar	1Sep	Treas 8¾pc 1997‡‡	88	26.7	10.21	10.85
27Apr	27Oct	Exch. 15pc 1997	126¼	20.9	12.07	11.35
19Jly	19Jan	Exch. 9¾pc 1998	91	13.12	10.56	10.87
19 July	—	Ex 9¾pc '98A (£60pd)	59¼	—	10.54	10.85
1Nov	1May	Treas 6¾pc 1995-98‡‡	74	25.9	9.25	10.58
30Mar	30Sep	Treas. 15½pc '98‡‡	133	24.8	12.00	11.25
20May	20Nov	Exch. 12pc 1998	107	15.10	11.28	11.06
15Jul	15Jan	Treas 9½pc 1999‡‡	90	10.12	10.41	10.72
26Sep	26Mar	Exch. 12¼pc 1999	111	20.8	11.26	11.01
19Nov	19May	Treas. 10½pc 1999	98	15.10	10.74	10.80
22May	22Nov	Conver'n 10¼pc 1999	97	16.10	10.68	10.77

Over Fifteen Years

14Jan	14Jul	Treas. 13pc 2000	114	10.12	11.30	10.96
22Nov	22May	Treas. 14pc '98-01	120	16.10	11.74	11.18
22Jul	22Jan	Exch. 12pc '99-02	106	17.12	11.16	10.96
11Apr	11Oct	Conv. 10pc 2002	98	4.9	10.39	10.45
25Jan	25Jul	Treas. 13¾pc 2000-03	119	19.12	11.39	11.96
19Sep	19Mar	Treas. 11½pc 2001-04	109	13.8	10.80	10.65
14Jan	14Jul	Funding 3½pc '99-04	48	10.12	7.26	9.31
21May	21Nov	Treas. 12½pc 2003-05	116	15.10	10.82	10.57
5Apr	5Oct	Treas. 8pc 2002-06‡‡	83	3.9	9.79	10.07
22Jly	22Jan	Treas. 11¾pc 2003-07	108	17.12	10.74	10.57
26Sep	26Mar	Treas. 13½pc '04-08	126	20.8	10.95	10.61
10Mar	10Sep	Treas. 5½pc 2008-12‡‡	62	6.8	9.12	8.61
26Jly	26Jan	Treas. 7¾pc 2012-15‡‡	79	20.12	9.67	9.80
12Jan	12Dec	Exch. 12pc '13-'17	118	5.11	10.21	11.11

Undated

1Feb	1Aug	Consols 4pc	41	25.6	10.16	—
1Jun	1Dec	War Loan 3½pc‡‡	35	25.10	9.90	—
1Apr	1Oct	Conv. 3½pc '61 Aft.	43	28.8	8.30	—
5Apr	5Oct	Treas. 3pc '66 Aft.	30	3.9	10.19	—
5Ja Ap Jly Oc		Consols 2½pc	25	3.9	9.97	—
1Apr	1Oct	Treas. 2½pc	25	28.8	10.14	—

Index-Linked

			(b)			(1)	(2)
30Mar	30Sep	Treas. 2pc '88	(297.1)	107	24.8	3.81	4.81
25Jan	25Jul	Do. 2pc '90	(333.9)	93	19.12	3.78	4.44
16Mar	16Sep	Do. 2pc '96	(267.9)	110	10.8	3.42	3.72
24Mar	24Sep	Do. 2½pc '01	(308.8)	100	20.8	3.16	3.37
20Nov	20May	Do. 2½pc '03	(310.7)	99	15.10	3.17	3.39
19Jan	19Jly	Do. 2pc '06	(274.1)	102	13.12	3.09	3.28
20Nov	20May	Do. 2½pc '09	(310.7)	99	15.10	3.04	3.21
23Feb	23Aug	Do. 2½pc '11	(294.1)	105	17.7	3.02	3.18
26Jan	26Jly	Do. 2½pc '16	(322.0)	94	20.12	2.98	3.13
16Oct	16Apr	Do. 2½pc '20	(327.3)	94	10.9	2.94	3.08

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for April, 1984: 349.7 and for November, 1984: 358.8.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

24Mar	24Sep	Asian Dev Bk 10¼pcLn2009	92	28.8	11.38	11.46
28Jan	28Jly	Australia 13½pc 2010	121	28.6	11.57	11.49
26Apr	26Oct	Do. 11¾pcLn2015	102	26.9	11.37	11.36
23Mar	23Sep	Euro Inv Bk 11pc Ln 2002	99	23.8	11.35	11.38

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australians

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		♥Southern Res	76	—	—	—	—
—		♥Southern Ventures 25c	6	—	—	—	—
—		♥Spargos Expl'n	22	—	—	—	—
—		♥Swan Res 20c	10	—	—	—	—
—		♥Utd Goldfields NL	27	—	—	—	—
—		♥West Coast 25c	8½	—	—	—	—
—		♥Western Cnt 50c	11	—	—	—	—
Oct.	May	Westn Mining 50c	197	1.10	Q4c	—	1.4
—		♥Whim Creek 20c	142	—	Q5c	♦	2.5
—		♥Windsor Res NL	15	—	—	—	—
—		♥York Resources	18½	—	—	—	—

Tins

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Apr.	Nov.	Ayer Hitam $M1	250	26.11	vQ140c	1.0	19.5
Feb	July	Geevor	198xd	10.12	12.0	2.2	8.7
Jul Jan	Apr	Gopeng Berhad M$0.50	175	15.10	$0.20	♦	3.7
Mar	Aug	Hongkong	650#	6'81	—	—	—
July		Jantar 12½p	11	3.9	0.5	—	6.5
Dec	Aug	Malaysia Mng. 10c	54	29.10	vQ6c	2.6	4.4
—		♥Pahang	38	27.11	B—	—	—
	July	Pengkalen 10p	700	11.4	—	—	—
June.	Jan.	Petaling $M1	275xd	10.12	vQ60c	♦	7.4
Jan	Sept	Sungei Besi $M1	270	26.11	‡vQ75c	0.9	‡
—		♥Supreme Corp M$1	55	9'74	vhQ3½c	♦	2.2
Mar	July	Tanjong 15p	285	6'81	g3.5	—	1.8
Sept	Mar.	♥Tongkah H. Tin $M1	210#	21.5	vQ23c	1.2	0.8
Oct.	June	Tronoh $M1	275	13.9	‡vQ65c	1.4	‡

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
	—	♥Anglo-Dominion	55#	—	—	—	—
—		♥Anglo Utd. Dev	36	—	—	—	—
—		♥Centennial Min'ls.	360	26.3	—	—	—
—		♥Colby Res Corp	80	—	—	—	—
Aug.	Feb	Cons. Murch. 10c	575	16.7	†Q100c	1.4	7.9
	—	✢Ennex Int Ir10p	31	—	—	—	—
Sept	Feb	Hampton Areas 10p	158	30.7	3.75	2.1	3.2
	—	♥Highwood Res.	170	—	—	—	—
May	Aug	Homestake Mining $1	£18½	31.10	Q20c	—	0.5
—		♥McFinley Red Lake	260	—	—	—	—
	—	♥Musto Explorations	195	—	—	—	—
—		♥New Sabina Res C$1	29	—	—	—	—
October		Northgate C$1	270	9'77	—	—	—
Jan.	July	RTZ	583	29.10	†18.0	2.7	4.4
Jan	July	Do 9½pcLn '95-2000	£129½	29.10	Q9½%	35.4	0.1
	—	♥Tara Expon $1	975	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- ■ Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✢ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- B No par value.

B.Fr Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	90	Arnott	150
Craig & Rose £1	£11	CPI Hldgs.	49xd

OPTIONS — 3-month call rates

"Recent Issues" and "Rights" Page 10

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.62	90.65	90.55	90.64
June	90.08	90.07	89.98	90.07
Sept	89.57	89.57	89.53	89.63
Dec	89.16	89.16	89.09	89.17
March	88.79	88.79	88.69	88.75

Estimated volume 2,614 (3,799)
Previous day's open int 9,019 (9,042)

THREE-MONTH STERLING £250,000 points of 100%

	Close	High	Low	Prev
March†	89.94	89.98	89.90	89.98
June†	89.85	89.86	89.84	89.90
Sept†	89.70	89.70	89.67	89.65
Dec†	89.56	—	—	89.50
March†	89.44	—	—	89.39

Estimated volume 493 (1,426)
Previous day's open int 5,238 (5,048)
† £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	107-24	107-24	107-17	107-11
March	107-09	107-09	106-29	106-27
June	106-22	106-22	106-17	106-08
Sept	105-15	—	—	105-12
Dec	105-03	—	—	105-01

Estimated volume 1,291 (3,778)
Previous day's open int 2,958 (3,928)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −10 to −2 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.1690	1.1690	1.1659	1.1685
June	1.1680	1.1680	1.1647	1.1675
Sept	1.1680	1.1680	1.1640	1.1675

Estimated volume 570 (634)
Previous day's open int 3,988 (3,674)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3221	0.3222	0.3215	0.3238

Estimated volume 16 (3)
Previous day's open int 155 (154)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3927	0.3927	0.3913	0.3924

Estimated volume 4 (nil)
Previous day's open int 111 (111)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4056	0.4056	0.4050	0.4057

Estimated volume 4 (3)
Previous day's open int 130 (127)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	120.50	120.75	120.30	120.90
March	120.75	121.05	120.60	121.25
June	120.90	—	—	121.40

Estimated volume 155 (284)
Previous day's open int 1,085 (1,093)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	72-08	72-18	72-07	72-17
June	71-17	—	—	71-25

Estimated volume 1,579 (1,435)
Previous day's open int 1,411 (1,827)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	72-11	72-17	72-08	72-08
June	71-17	71-23	71-15	71-14
Sept	70-25	70-30	70-23	70-22
Dec	70-04	70-07	70-03	70-02
March	69-17	69-19	69-16	69-15
June	68-31	69-00	68-31	68-30
Sept	68-15	68-16	68-15	68-14
Dec	68-00	—	—	67-31
March	67-18	—	—	67-17
June	67-05	67-05	67-04	67-04

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
March	91.79	91.84	91.76	91.77
June	91.29	91.34	91.27	91.28
Sept	90.885	90.90	90.84	90.85
Dec	90.49	90.51	90.49	90.47
March	90.17	90.18	90.17	90.15
June	89.90	89.91	—	89.88
Sept	89.65	89.66	89.54	89.63
Dec	—	89.50	89.50	89.47

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	91.68	91.69	91.65	91.59
March	91.00	91.03	90.94	90.96
June	90.42	90.46	90.41	90.37

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Mar	90.60	90.65	90.56	90.57
Jun	90.03	90.07	89.96	89.98
Sep	89.58	89.58	89.53	89.48
Dec	89.13	89.15	89.11	89.08
Mar	88.77	88.78	88.75	88.70
Jun	88.44	88.46	88.44	88.38
Sep	88.15	88.17	88.16	88.08

STERLING (IMM) $ per £

	Close	High	Low	Prev
Mar	1.1675	1.1740	1.1645	1.1650
Jun	1.1665	1.1730	1.1645	1.1640
Sep	1.1670	1.1720	1.1655	1.1645
Dec	1.1660	1.1720	1.1655	1.1635

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Mar	68.28	68.31	68.25	68.25
Jun	68.04	68.06	68.04	68.02
Sep	67.17	—	—	67.16
Dec	67.01	—	—	67.01
Mar	—	—	—	—
Jun	66.04	—	—	66.06

WEEKLY CHANGE IN WORLD INTEREST RATES

	Dec. 21	change		Dec. 21	change
LONDON			**NEW YORK**		
Base rates	9½-9¾	Unch'd	Prime rates	10¾	−½
7 day interbank	9 5/16	+ 1/16	Federal funds	8 1/16	− 1/16
3mth interbank	9 3/8	+ 3/8	3 Mth. Treasury Bills	77.6	−0.86
Treasury Bill Tender	9.1133%	+0.0228	6 Mth. Treasury Bills	7.79	−0.43
Band 1 Bills	9½	Unch'd	3 Mth. C D	8.30	−0.55
Band 2 Bills	9⅜	Unch'd	**FRANKFURT**		
Band 3 Bills	9¼	Unch'd	Lombard	5.50	Unch'd
3 Mth. Treasury Bills	9 3/32	+ 1/32	One Mth. Interbank	5.55	+0.375
1 Mth. Bank Bills	9 11/32	+ 1/16	Three month	5.775	−0.05
3 Mth. Bank Bills	9 9/32	+ 1/32	**PARIS**		
TOKYO			Intervention Rate	10¾	Unch'd
One month Bills	6.46875	−0.0625	One Mth. Interbank	10 11/16	+ 1/16
Three month Bills	6.28125	−0.0625	Three month	10¾	+ ⅛
BRUSSELS			**MILAN**		
One month	10 11/16	− ⅛	One month	17 1/16	Unch'd
Three month	10¾	+ 1/16	Three month	17 1/16	Unch'd
AMSTERDAM			**DUBLIN**		
One month	5 11/16	Unch'd	One month	14⅞	+ ⅛
Three month	5 11/16	− 1/16	Three month	14⅞	+ ¼

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 9⅛.

FOREIGN EXCHANGES

Oil hits pound and gold

BY COLIN MILLHAM

It was a quiet and fairly predictable week for the dollar, with sterling and gold moving to centre stage as far as financial markets were concerned.

Commercial demand supported the dollar, as normal interbank trading trailed off and the major market operators squared their positions for the year-end. Expectations of lower U.S. interest rates and a possible cut in the Federal Reserve discount rate failed to depress the U.S. currency, although the thin level of trading meant there was little chance of the dollar approaching this year's highs against the D-mark and most other major currencies. The German Bundesbank was not particularly active, but would have found it only too easy to push the dollar down if it became too strong.

Sterling fell to record lows against the dollar and major currencies in general, as the price of North Sea oil fell on the European spot market and ministers from the Organisation of Petroleum Exporting Countries met in Geneva.

The market seems to fear that Opec will fail to prevent a downward slide in oil prices early next year, and on this basis sterling touched a record trading low of $1.1625, and an all time London closing low of $1.1655 on Thursday. The lowest point touched by the exchange rate index, a measure of the pound's performance against all major currencies, was 72.7, but on Friday there was a slight recovery, on covering of short positions, although although the overall position still appeared very nervous.

Gold was also sold quite heavily and at one time seemed to be threatening the $300 level. The lowest point touched in London was $300¼, although a quote of $298 was made in Australia. Sellers of gold have appeared as the dollar has failed to weaken, despite lower U.S. interest rates. Falling oil prices may also mean that there is less money from the Middle East to invest in the metal.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Dec 21	Previous
8.30 am	73.1	72.9
9.00 am	72.9	72.7
10.00 am	73.1	72.8
11.00 am	73.1	72.8
Noon	73.1	72.7
1.00 pm	73.1	72.8
2.00 pm	73.2	72.8
3.00 pm	73.1	72.8
4.00 pm	73.2	73.0

£ in New York

	December 21	Prev. close
£ Spot	$1.1720-1.1730	$1.1660-1.1700
1 month	0.12-0.11pm	0.12-0.11pm
3 months	0.35-0.33pm	0.34-0.31pm
12 months	1.40-1.25pm	1.27-1.25pm

Forward premiums and discounts apply to the U.S. dollar.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.1755	1.1745	1.1725	1.1710	1.1733
D-Mark	3.6660	3.6425	3.6165	3.5797	3.5024
French Franc	11.22	11.2330	11.2445	11.2649	11.3450
Swiss Franc	3.0075	2.9950	2.9713	2.9420	2.8851
Japanese Yen	291.0	290.19	288.49	285.93	280.36

POUND SPOT—FORWARD AGAINST POUND

Dec 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1670-1.1765	1.1750-1.1760	0.13-0.09c pm	1.07	0.35-0.30 pm	1.11
Canada	1.5380-1.5475	1.5415-1.5465	0.01-0.10c dis	−0.43	0.02pm-0.11d	0.17
Nethlnd.	4.11-4.15	4.13¼-4.14¼	1½-1¼c pm	3.90	4¼-4 pm	4.05
Belgium	73.10-73.70	73.60-73.70	4-9c dis	−1.06	10-19 dis	−0.78
Denmark	13.05-13.12½	13.11½-13.12½	2½-3½ore dis	−2.63	9½-9½ dis	−2.88
Ireland	1.1676-1.1745	1.1715-1.1725	0.50-0.65p dis	−5.88	1.32-1.62dis	−5.01
W. Ger.	3.64-3.66½	3.65-3.66	1¾-1½pf pm	4.92	5¼-4¾ pm	4.94
Portugal	194.90-197.20	195.40-197.10	160-590c dis	−23.06	520-1595dis	−22.06
Spain	201.30-202.85	201.95-202.95	50-65c dis	−3.41	130-155 dis	−2.82
Italy	2,239-2,257½	2,252-2,253	7-11 lire dis	−4.79	22-25 dis	−4.16
Norway	10.54-10.62½	10.58-10.60	1¾-3½ore dis	−3.25	7½-8½ dis	−2.93
France	11.14½-11.24½	11.21½-11.22½	¼-1½c dis	−1.08	4¼-6 dis	−1.80
Sweden	10.41½-10.48½	10.46-10.47	2¼-3¼ore dis	−1.29	4½-5 dis	−1.78
Japan	289½-291½	290½-291½	0.85-0.75y pm	3.30	2.60-2.45 pm	3.47
Austria	25.65-25.80	25.71-25.79	8-5½gro pm	3.15	19¼-16¼ pm	2.80
Switz.	2.99-3.01½	3.00¼-3.01¼	1¼-1¼c pm	5.24	3¾-3½ pm	4.90

Belgian rate is for convertible francs. Financial franc 73.90-74.10. Six-month forward dollar 0.42-0.35c pm. 12-month 0.80-0.75 pm.

OTHER CURRENCIES

Dec. 21	£	$		£ Note Rates
Argentina Peso.	191.87 192.27	164.21-164.33	Austria	25.40-25.70
Australia Dollar.	1.4025 1.4045	1.1995 1.2005	Belgium	72.70-73.45
Brazil Cruzeiro.	3,553 3,576	3,041-3,056	Denmark	12.95-13.09
Finland Markka.	7.5744 7.6345	6.4950-6.4970	France	11.06-11.20
Greek Drachma.	147.90-150.89	126.34-128.90	Germany	3.63½-3.66½
HongKong Dollar	9.1450 9.1550	7.8200-7.8250	Italy	2230-2260
Iran Rial	110.80*	95.30*	Japan	293-298
KuwaitDinar (KD)	0.35690-0.3600	0.30575-0.30581	Netherlands	4.09½-4.13½
Luxembourg Fr.	73.60-73.70	62.50-62.60	Norway	10.58-10.66
Malaysia Dollar.	2.8200-2.8250	2.4125 2.4155	Portugal	200-210
New Zealand Dlr.	2.4265-2.4355	2.0785 2.0810	Spain	198-205½
Saudi Arab. Riyal	4.1689-4.1900	3.5605-3.5610	Sweden	10.36-10.46
Singapore Dollar	2.5360-2.5440	2.1700-2.1730	Switzerland	2.98½-3.01½
Sth African Rand	2.2694-2.2865	1.9455-1.9510	United States	1.15¼-1.17¼
U.A.E. Dirham	4.2970-4.3030	3.6780-3.6790	Yugoslavia	260-319

* Selling rates.

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 21	Dec. 14		Dec. 21	Dec. 14
Bills on offer	£100m	£100m	Top Accepted rate of discount	9.1250%	9.0906%
Total of applications	£428m	£446.65m	Average rate of discount	9.1133%	9.0905%
Total allocated	£100m	£100m	Average yield	9.33%	9.30%
Minimum accepted bid	£97.735	£97.75	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	20%	36%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1670-1.1765	1.1750-1.1760	0.13-0.09c pm	1.07	0.35-0.30 pm	1.11
Ireland†	0.9970-1.0030	1.0015-1.0030	0.9c-0.83c pm	6.67	1.51-1.41 pm	5.85
Canada	1.3161-1.3175	1.3161-1.3166	0.07-0.10c dis	−1.55	0.20-0.25 dis	−1.22
Nethlnd.	3.5150-3.5330	3.5170-3.5190	0.85-0.80c pm	2.88	2.62-2.58 pm	2.95
Belgium	62.43-62.66	62.60-62.70	3-10c dis	−1.82	21-23 dis	−1.41
Denmark	11.14-11.21	11.16¼-11.16¾	2½-3½ore dis	−1.68	7-8 dis	−1.28
W. Ger.	3.1110-3.1270	3.1160-3.1160	0.77-0.72pf pm	2.86	2.48-2.40 pm	3.11
Portugal	167-168½	167½-168½	175-535c dis	−25.07	500-1450dis	−23.26
Spain	171.35-172.75	172.50-172.70	60-70c dis	−4.52	160-180 dis	−3.94
Italy	1,914-1,923	1,914-1,915	10-10½ lire dis	−6.42	27-27½ dis	−5.71
Norway	9.01-9.04½	9.01½-9.01½	2.90-3.30ore dis	−4.12	8.90-9.30dis	−4.12
France	9.52½-9.56½	9.53½-9.53½	1.85-2.00c dis	−2.42	4.60-5.10dis	−2.03
Sweden	8.89-8.92½	8.90½-8.90½	1.15-1.20ore dis	−1.58	5.15-7.15dis	−2.78
Japan	247.70-248.05	247.90-247.70	0.35-0.31y pm	2.18	1.45-1.40 pm	2.30
Austria	21.88½-21.96½	21.94-21.95	1½-¾gro pm	0.88	6½-3 pm	0.87
Switz.	2.5560-2.5720	2.5660-2.5670	0.90-0.84c pm	4.08	2.46-2.39 pm	3.77

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 62.85-62.95.

CURRENCY MOVEMENTS

Dec 20	Bank of England Index	Morgan Guaranty Changes%
Sterling	73.2	−16.9
U.S. dollar	143.5	+29.6
Canadian dollar	90.8	−2.9
Austrian schilling	110.1	+2.9
Belgian franc	88.7	−10.6
Danish Kroner	76.6	−6.4
Deutsche mark	120.5	+6.1
Swiss franc	139.8	+9.7
Guilder	110.4	+3.0
French franc	63.7	−16.3
Lira	46.7	−15.8
Yen	156.8	+12.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.	0.61155
U.S. $	8½	0.985143	0.713840
Canadian $	10.16	*	0.940827
Austria Sch.	4½	N/A	15.6567
Belgian Fr.	11	61.6746	44.7150
Danish Kr.	7	11.0090	7.99144
Dmark	4½	3.07758	2.22932
Guilder	5	3.47755	2.51843
French Fr.	9½	9.42288	6.82717
Lira	16½	1894.92	1372.71
Yen	5	244.414	177.032
Norway Kr.	8	8.89780	6.44776
Span'h Ptar	½	169.888	123.137
Swedish K.	9	8.77220	6.37102
Swiss Fr	4	2.52787	1.83386
Greek Dr'ch	20½	125.981	91.1931
Irish Punt	12¾	N/A	0.714769

*C$/SDR rate for December 19: 1.30383

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.7150	−0.41	+0.13	±1.5428
Danish Krone	8.14104	7.99144	−1.84	−1.30	±1.6421
German D-Mark	2.24184	2.22932	−0.65	−0.02	±1.1463
French Franc	6.87456	6.82717	−0.69	−0.15	±1.3659
Dutch Guilder	2.52595	2.51843	−0.30	+0.24	±1.5165
Irish Punt	0.72569	0.714769	−1.50	−0.96	±1.6671
Italian Lira	1403.49	1372.71	−2.19	−2.17	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Dec. 21	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.176	3.655	291.0	11.22	3.008	4.140	2253.	1.544	72.65
U.S. Dollar	0.851	1.	3.116	247.9	9.550	2.557	3.518	1915.	1.313	62.55
Deutchemark	0.274	0.322	1.	79.62	3.070	0.823	1.133	616.3	0.422	20.15
Japanese Yen 1,000	3.436	4.040	12.56	1000.	38.56	10.34	14.23	7741.	5.306	253.1
French Franc 10	0.891	1.048	3.258	259.4	10.	2.680	3.690	2008.	1.376	65.64
Swiss Franc	0.333	0.391	1.216	96.76	3.731	1.	1.377	749.0	0.513	24.49
Dutch Guilder	0.242	0.284	0.883	70.29	2.710	0.726	1.	544.1	0.373	17.79
Italian Lira 1,000	0.444	0.522	1.623	129.2	4.981	1.335	1.838	1000.	0.685	32.70
Canadian Dollar	0.648	0.761	2.367	188.5	7.267	1.948	2.681	1459.	1.	47.70
Belgian Franc 100	1.358	1.596	4.963	395.1	15.23	4.084	5.621	3058.	2.096	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 20	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	8¾ 9	7 5/16-8 1/16	9½-10	5 5/16-5 11/16	1-1¼	5⅜-5⅛	10⅝ 10⅞	14-16	11-11¾	10⅝ 10⅞	6⅜ 6⅛	11⅝-12⅛
7 days' notice	9⅛ 9⅜	8⅛-8⅜	10⅛-10½	5⅝-5¾	15-15⅛	6 6¼	10⅝-10⅞	12⅛-13⅝	11-11¾	10⅝ 10⅞	6⅜ 6½	12-12½
Month	9½ 9⅝	8¼ 8⅜	9 15/16-10⅛	5⅝-5¾	5 5⅛	5⅝ 5¾	10⅝-10⅞	14-14½	10⅝ 11⅛	10⅝ 10¾	6 5/16-6⅜	12-12½
Three months	9⅞ 10	8 5/16 8 7/16	9 15/16-10⅛	6 1/16-5 13/16	4 11/16-4 1/16	5½-5⅝	10⅝-10⅞	14⅛-14⅝	10⅝-11⅛	10⅝ 10¾	6¼-6 1/16	11⅝-12¼
Six months	10 10⅛	9 1/16 9 3/16	10⅛-10⅜	5 13/16-5 15/16	4 11/16-4 13/16	5½ 5⅝	11-11¼	14⅜-14¾	10⅝ 11⅛	10⅝-10⅞	6¼-6 7/16	11½-12
One year	10 3/16 10 5/16	9⅞ 10	10¾-10 15/16	5 13/16 5 15/16	4 11/16-4 13/16	5⅝ 5¾	11 11/16-11 13/16	14⅜-14⅞	10⅝-11⅛	10⅝-10⅞	6¼-6 7/16	11½-11⅞

Asian $ (closing rates in Singapore): Short-term 8¼-8½ per cent; seven days 8 9/16-8 11/16 per cent; one month 8¼-8½ per cent; three months 8 9/16-8 11/16 per cent; six months 9 1/16-9 3/16 per cent; one year 9⅞-10 per cent. Long-term Eurodollars: two years 10¾-11 per cent; three years 11⅛-11⅜ per cent; four years 11¼-11½ per cent; five years 11½-11¾ per cent nominal rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London calm despite weaker pound

Interest rates had a firmer tone on the London money market last week as sterling fell to record lows on the foreign exchanges. The overall mood was reasonably calm however. Dealers do not believe the Bank of England is willing to sanction a rise in clearing bank base rates at present, particularly since the fall in the value of the pound is seen as the result of lower North Sea oil prices, and not a reflection of uncompetitive interest rates.

There was one day of extremely large credit shortage in the market, mainly as the result of seasonal VAT payments. The very large shortage was at first expected on Tuesday, but eventually surfaced on Wednesday, amounting to £1.4bn, which was probably a record for the market.

After two days of fairly comfortable conditions there was litle sign of any difficulty in dealing with the situation however. Almost all the day's help was provided by way of outright purchases of bills at unchanged dealing rates. Only a small repurchase agreement of £25m was entered into, while late *assistance amounted to £155m.*

UK clearing banks' base lending rate 9½-9¾ per cent since November 23.

A major factor helping the London market keep its nerve was the decline in U.S. interest rates, which to some extent offset fears created by the weaker pound.

Federal funds fell below 8 per cent in New York last week, without any reaction from the Federal Reserve. The Federal Open Market Committee met amid speculation that the target rate for Federal funds was about to be reduced, and this would be followed by a cut in the U.S. discount rate by ½ per cent to 8 per cent.

A slowdown in U.S. economic growth is expected to encourage a continuing decline in interest rates. The OECD has forecast relatively low growth of 3 per cent for 1985, although the flash estimate of Gross National Product growth in the fourth quarter of this year was 2.8 per cent, compared with a figure revised down to 1.6 per cent from 1.9 per cent for the third quarter.

On the other hand the rise of $3.8bn in weekly M1 money supply was below most expectations, and the immediate prospects suggest U.S. rates will remain soft.

MONEY RATES

Dec. 21	Frankfort	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.5-5.6	10 11/16	17¾-18¼	5⅝-5¾	6.34375	16⅞-17¼	10.6	14⅝-14⅞
One month	5.75-5.90	10¾-10⅞	4⅞-5	5⅝-5¾	6.46875	16⅞-17¼	10¾-10⅞	14¾-15
Two months	5.70-5.90	10⅝ 10¾	—	—	—	—	—	14¾-15
Three months	5.70-5.85	10 11/16-10 13/16	4 11/16-5 1/16	5⅝-5¾	6.28125	16⅞-17¼	10 11/16-10 13/16	14¾-15
Six months	5.70-5.85	10⅝-10¾	—	5¾-5⅞	—	—	10⅝ 10¾	14⅝-14¾
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	10¾	—	5¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 21 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	5 9½	9¼-9⅜	9⅛	5-9⅛	—	—	—	—	—
2 days notice	—	—	9¼-9⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅛ 9½	9¼-9⅜	9½	9¼	—	—	—	—	—
One month	9 5/16-9½	9½-9⅝	9½	9⅜	9⅜	9 3/32	9 11/32	9 11/32	9⅜	10 1/16
Two months	9 11/16-9 13/16	9⅞-10	9¾-9⅞	10	9⅝	9 3/32-9 1/16	9¼	9 3/32-9 5/16	9¼	9⅞
Three months	9⅞-9¾	9⅞-10	9⅞	10⅛	9⅜	9 3/32	9⅛	9 3/32	9¼	9⅞
Six months	9⅞-9¾	10 1/16-10 3/16	10 1/16	—	—	—	—	9¼	9¼	10⅛
Nine months	9 13/16-9 15/16	10⅛-10¼	—	—	—	—	—	—	—	—
One year	9 13/16-9 15/16	10 3/16-10 5/16	10 1/16	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	10½ 9⅛	—	9 5/16	8.25-8.35	7 11/16-8⅛	9⅛ 9 5/16
Two months	10⅜ 10	—	9 11/16	8.35 8.45	7⅞-8⅛	9 3/16-9⅜
Three months	10¼ 9⅞	—	9 13/16	8.4 8.5	7 13/16-8 5/16	9¼-9 7/16
Six months	10¼ 9⅞	—	10⅛	8.8-8.9	8 3/16-8 5/16	9⅜-9 9/16
Nine months	10¼ 9⅞	—	10 5/16	9.1-9.2	—	—
One year	10½ 10⅛	—	10¼	9.5-9.7	8¾-9	9⅝ 9 13/16
Two years	—	10 7/16	—	—	—	—
Three years	—	10 11/16	—	—	—	—
Four years	—	10 15/16	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period November 7 to December 4 1984 (inclusive): 9.904 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from December 1 1984. London and Scottish Clearing Bank Rates for lending 9½-9¾ per cent. London Deposit Rates for sums at seven days' notice 6-6¼ per cent. Treasury Bills: Average tender rates of discount 9.1133 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9⅝ per cent; one-three months 10 per cent; three-six months 10¼ per cent; six-nine-nine months 10¼ per cent; nine-12 months 10¼ per cent. Under £100,000 9⅜ per cent from November. Deposits held under Series 5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. December 20)
3 months U.S. dollars

bid 8 9/16	offer 8 11/16

6 months U.S. dollars

bid 9 5/16	offer 9 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	10¾
Broker loan rate	9¾-10¾
Fed funds	7⅞
Fed funds at intervention	8

Treasury Bills

One month	7.22
Two month	7.55
Three month	7.78
Six month	7.98
One year	8.39

Treasury Bonds

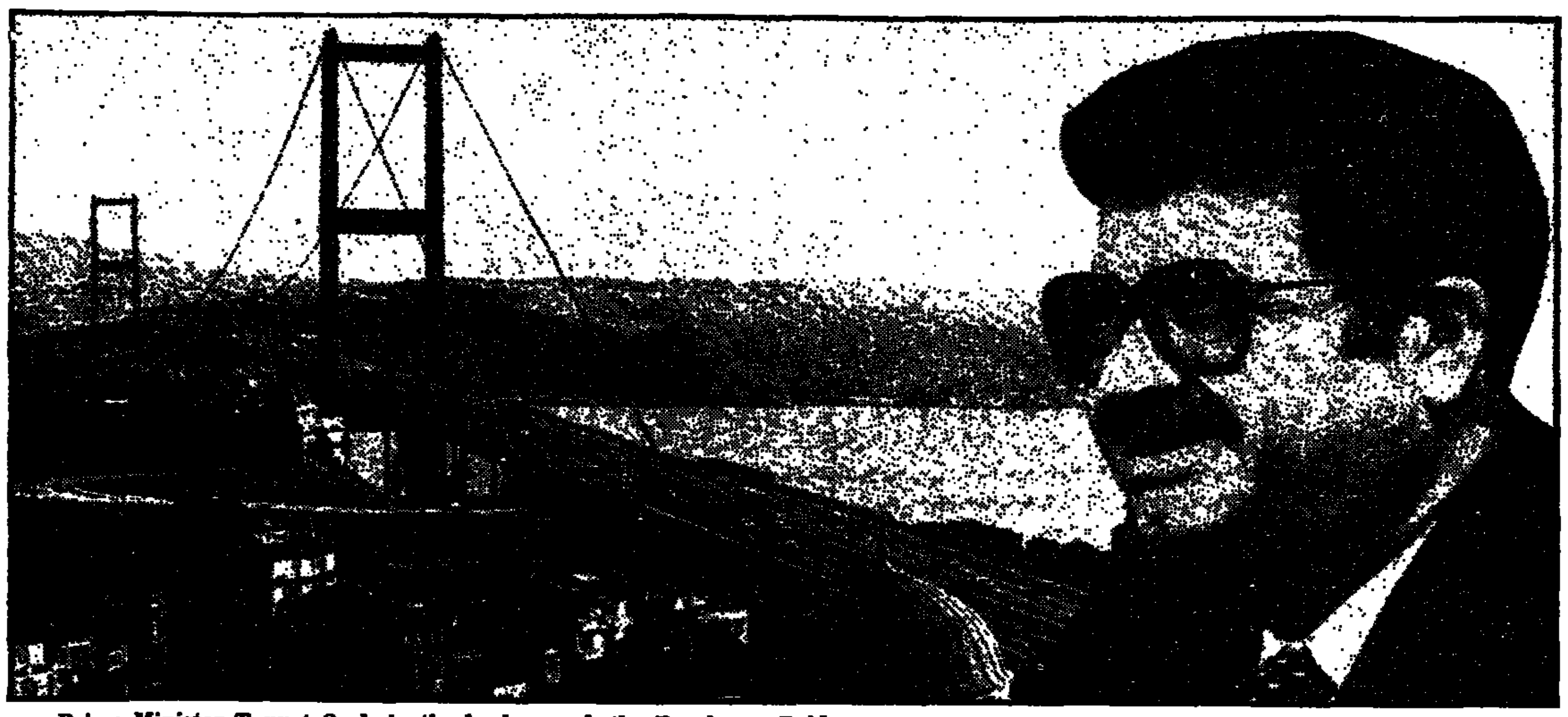
Two year	99 27/32
Three year	101 22/32
Four year	102⅝
Five year	100⅜
Seven year	104 22/32
10 year	101⅜
30 year	103 20/32

FINANCIAL TIMES SURVEY

TURKEY

TRADE AND INDUSTRY

Opening up the country to the outside world has its problems but for Turkey's economic progress it is essential that the sense of direction provided by Mr. Ozal, the Prime Minister, persists. Alternatives do exist but it is hard for most of his countrymen to imagine what other options would be like.



Prime Minister Turgut Ozal: in the background, the Bosphorus Bridge

Reforms win approval

By DAVID BARCHARD

THE OZAL experiment in Turkey is entering the second half of its first decade.

Five years ago, when the then Prime Minister, Mr Suleyman Demirel, appointed Mr Ozal as head of the State Planning Organisation, with instructions to draw up a strategy to pull Turkey out of economic chaos, the country seemed unable to combat the ailments afflicting it.

Half a decade later, the power cuts, chronic shortages, industrial disputes and hopeless indebtedness of 1979 seems a world away. Few countries have made a quicker turnaround or regained a stronger sense of direction. Mr Ozal, after a spell in the political wilderness, in 1982 and 1983, returned to power exactly a year ago as the head of the first elected civilian government since 1980.

The problems he has had to confront as Prime Minister have been subtler and less amenable to rapid solutions than the stupendous distortions and irrationalities of the Turkish economy in the late 1970s. Nevertheless even among the Prime Minister's critics there is general recognition that things have continued to improve, even though some problem areas (notably inflation) remain stubborn.

Though the system in which he is operating was created and, is still watched over, by the generals who led Turkey's military revolution in 1980, Mr Ozal and his reforms dominate Turkish national life in a way that no leader has affected the country for several generations.

Ordinary Turks can once again buy foreign cigarettes or home computers. Commercial banks sell foreign currency over the counter. The banking system and money-markets are being overhauled and updated. There is a courageous effort to re-organise and privatise at least some of the country's state economic enterprises. The quality of Turkish industrial production and of managerial decision-making has started to rise.

Social cost

Despite this, at home and abroad, Mr Ozal and his reforms are viewed with almost as much caution as admiration. Turkey's industrial sector grew up during decades of state-centred, xenophobic and shortsighted economic management. Is it really possible that a few years of realistic exchange rate policies and emphasis on exporting and competition will be sufficient to make the country's industrial sector survive in world markets?

Will the social cost, in terms of increased income-inequality and bankrupt firms, not prove unacceptable at some point? More fundamentally, if Turkey is returning to civilian multi-party democracy, then will the inflationary economic policies which were the only way in which the hard-pressed Turkish politicians of the 1960s and 1970s could please a moiety of the electorate, not be expected to return?

During 1984 at least, Mr Ozal has been able to answer all these questions with a self-confident "no." He has done no U-turns on major policy issues and appears still to command the support of the 41 per cent of voters who backed him in the March local elections.

There have been no major bankruptcies or insolvencies. Income inequality and unemployment have undoubtedly worsened, but the political spill-over has been negligible. Turkish businessmen, in a world where credit not only costs about 85 or 90 per cent net but is often unavailable, and wage earners with shrinking purchasing power may groan. Few of them can suggest any sort of coherent alternative policy.

This is partly because the Prime Minister is operating inside the austere political system created in 1982, which prunes to a minimum the scope for legitimate opposition. The 56 alleged organisers of a mass petition to President Kenan Evren last spring are currently on trial for allegedly using the petition to make a political statement.

It has to be said, however, that the Prime Minister has never shown any taste for such curbs on freedom of expression and was personally responsible—by quoting the petition in public—for ensuring that its existence became known to the Turkish public.

Defenders of the somewhat draconian restrictions still in force tend to make two points. Firstly, they are being steadily lifted. A year ago, martial law was in force throughout all of Turkey. Today it has been lifted in more than half of the country's 67 provinces. A few strikes are being permitted. The civilianisation of key institutions—such as state banks—is gradually going ahead.

The second point is made less loudly, because it is more disconcerting. It is that the potential for disorder in Turkish society may still be so great that emergency measures are justified. This contrasts with the increasingly prosperous atmosphere of stability in the major cities, where nightly gunbattles raged in the suburbs only four or five years ago.

Fairly strict reins upon the press make it hard to judge the degree to which violent underground opposition still exists in cities such as Ankara and Istanbul. However, in Eastern Turkey, in the mountainous regions bordering Iran and Iraq, Kurdish separatist guerriller movements have claimed many lives and forced the Armed Forces into the largest campaign in that region for many years.

For many businessmen, the chief disappointment of Mr Ozal's first year in office has been his failure to bring down interest rates and inflation. Inflation is likely to be around 45 per cent by the end of the year and though the Government predicts it will be 25 per cent in 1985, most businessmen privately expect it will be five or ten points higher than that. As a result interest rates remain exorbitant and investment activity is severely depressed. A faint note of economic emergency will probably remain in the air until the day when Turkey can demonstrate that inflation will stay for the foreseeable future below 25 per cent.

Meanwhile, the major preoccupation of national life remains "opening to the outside world."

Here again, Mr Ozal has the backing of a solid national consensus behind him—one probably far larger than the number of Turks who voted for the Motherland Party in the last elections.

Opening up to the outside world has its problems, however. The precarious balance of emotions in the relationship between Turkey and the West is strained by several tensions. Turkey does not feel able to compromise where criticism of its institutions is involved, but it has been eager to regain its standing as a civilian parliamentary democracy in bodies such as the Council of Europe.

Antagonism

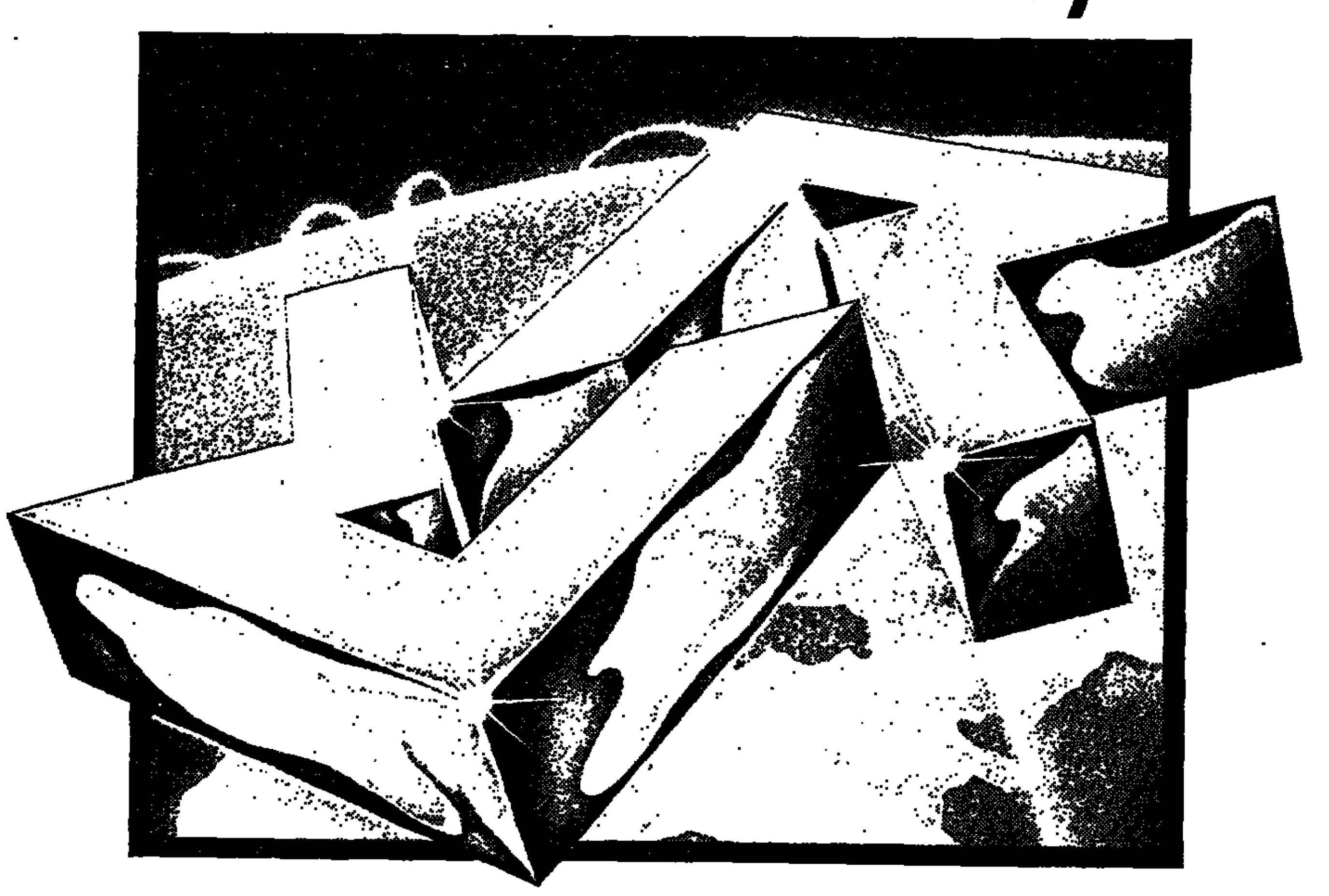
Historical antagonisms, particularly that between the Turkish state and Armenian terrorist movements, have complicated relations with France and the U.S. At home, the question of Turkey's own future as well as its relations with the West has been sharpened by a modest but distinct upturn in religious activity. At Ankara's Middle East Technical University, restrictions on student beards and clothing, originally introduced against left-wing students, are now chiefly enforced against Islamic beards for men and head-dress for women. Ten years ago, no girl student in that university would have covered her head.

In part these developments are a response to being locked out of the West. Ten or 15 years ago, Turks could and, in increasing numbers did, travel

CONTINUED ON PAGE 2

IN THIS SURVEY

● Pictures: Terry Kirk



TURKEY — Trade and Industry 2

Outcry as Government boldly introduces value-added tax amid battle to curb budget deficit and inflation

THE VAT-MAN comes to Turkey on *January 1. The law* introducing the Value Added Tax was published six weeks ago; first returns include a rush to the shops by those fearing price increases and anguished cries by businessmen that the country is not ready for this tax revolution.

"I fear there will be a shaking of confidence in the tax because of the difficulties caused by the failure to make necessary and adequate preparation," says Mr Mehemet Yazar, president of the Turkish Union of Chambers of Commerce and Industry. He particularly stresses the lack of attempts to educate the public, a shortage of cash registers, and the absence of *the legal framework* for the "infrastructure" of the tax, the tax advisers themselves.

Introduction of the tax is a bold move for a government already battling to curb its budget deficit and inflation. *No one is sure how the upheaval* will affect the government's revenues.

Mr Turgut *Ozal* the *Prime* Minister, is described by some as being mainly guided by his instinct on this matter—as he was, successfully, it must be said, when he introduced an earlier tax reform in 1980. But most people *accept that so antiquated* is the base of Turkey's tax system that only a major shake-up *will improve the share of* tax revenue in GNP.

VAT is being introduced at a rate of 10 per cent with exemptions in predictable areas such a basic foodstuffs—and a continuing battle by pressure groups to have their particular interest excluded. The tax will replace about 10 existing taxes.

Where exports are concerned, officials are now studying how they will move from the existing system of paying exporters a subsidy called a tax rebate and fixed according to the nature of the *item*.

While it will take time for the waves caused by the change to subside, the basic features of the Turkish cash system are likely to remain—a heavy emphasis on formal bookkeeping with stiff inspection, *particularly of foreign* companies; accounting principles based on a static rather than a going-concern approach; marginal discrimination against foreign companies, though here the foreign investment department is fighting fiercely for equal treatment; and a cumbersome bureaucracy.

The key taxes are:

- Corporate tax. Basic rate of 40 per cent. Currently an additional *withholding tax of* 20 per cent is applied to dividends paid *to foreign* shareholders. Allowable deductions run parallel to those normal in the industrialised world. Depreciation can be on a straight line or declining balance method. Straight *line rates* may be up to 25 per cent declining balance rates are twice straight-line rates.
- Personal tax. This is levied at progressive rates. The tax burden on an *individual* earnings the equivalent of $25,000 is just over 40 per cent.
- A 3 per cent service charge on banking and insurance transactions.
- Real estate. A 4 per cent total of taxes on sale.
- Stamp duties. These include 0.5 per cent on contracts, guarantees, *mortgages*, promisory notes and 0.3 per cent on letters of credit.

DAVID TONGE

Cautious optimism despite severe cash squeeze

IN 1984, Mr Ozal's Government apparently put the screws back firmly on Turkish industry. The cost of *inputs* went up in a continual series of hikes to the cost of state *economic enterprise* products, notably fuels and energy, from March onwards.

The Lira's depreciation against the dollar was headlong—from TL 290 in January, it had fallen to about TL 425 in December. This helped exporters, but was tough on everyone else.

Above all, interest rates continued to climb—and in September there was a new squeeze on credit from state banks. Though industrialists still able to borrow money were exporters—borrowing at a net "subsidised" rate of around 60 per cent per annum, or others paying rates equivalent to almost 100 per cent a year.

Despite all this—and a great deal of complaining in the Press—Turkish industry seems to have scraped through the year reasonably well. Not only were there no major defaults or bankruptcies in 1984, but for some of the major industrial groups things appeared to be looking up.

In a survey of companies, published by the Istanbul Chamber of Industry in October, only 15 of the top 120 companies in Turkey reported making a loss—and 11 of these were from the state sector. *Many appeared to be making* substantial pre-tax profits.

Warnings

"While interest rates remain as high as they are, there can't be a sense of normality, there's bound to be a sense of emergency," says an Istanbul businessman. Others still talk of 1985 as being "a make-or-break year for the Turkish economy."

A senior figure in one of Turkey's biggest industrial groups warns that even though there have been no major collapse this year, 1985 is bound to see some well-known names in trouble.

Broadly speaking, economists predict that if world markets hold up, Turkey's exporting industries are likely to grow steadily with exports increasing at rates of between 8 and 15 per cent annually until the end of the decade.

The prospects of the exporters look good. Doubt centres on the fate of those ports of Turkish industry which

Industrial prospects

DAVID BARCHARD

sprang up under the import *substitution* policies of the 1960s and have little prospect of ever being able to sell their goods *abroad*—and might not be able to stand up to foreign competition at home if it is ever *permitted*.

The division between the exporters and non-exporters is fairly starkly reflected in the Turkish business world. This summer, while Tusiad, the Association of Turkish Businessmen and Industrialists, which largely reflects the view of the major groups centred on Istanbul, was continuing to back Mr Ozal, the Union of Chambers of Commerce and Industry—the legal representative of the Turkish Business World—appeared to be striking a different course.

Criticism of the Ozal policies among the smaller producers in the Anatolian hinterland erupted into the open in the autumn at a meeting organised by the Union of Chambers in the Black Sea Port of Giresun.

In the Press, the chairman of the Union of Chambers, Mr *Mehmet* Yazar, was widely credited with attempts at preparing the ground for a new *centre-right-wing* party.

Parallels—slightly far fetched ones—were drawn with the rift between Government and Industry which bedevilled the Social Democrat Government of Mr Bulent Ecevit in the late 1970s.

So far, Mr Ozal has treated such criticism with indifference. He is able to point to his election speeches and manifesto of a year ago to show that his actions in Government are merely what he promised the eelctorate. The only serious embarrassment was the upsurge in inflation during the first half of the year and its consequent effect on interest rates.

The fact that Turks, almost without *exception, seem* to agree that the days of import substitution are gone for good and their country will have to become much more of a trading nation than it has been in the past, lends authority to Mr Ozal's position. No one can suggest a coherent alternative industrial strategy, except—as the prime minister points out—the Marxists.

Even so, there is discreet pressure upon him for some changes in tactics. Many industrialists feel that the policy of allowing the lira to depreciate has been taken too far. Several, in Istanbul and Izmir, are fond of outlining alternative schemes under which the daily, usually downwards, adjustment of the currency would be replaced by a *more gradual* approach—perhaps with the lira being tied to a basket of currencies rather *than pegged against the dollar*.

Criticism

More worrying, politically, for the prime minister is the *potential undercurrent of xenophobia* among his critics—a faint breath compared to the *gales of criticism* which raged in the 1960s, but still significant. The fact that the most enthusiastic endorsement of Mr Ozal's policies has come from the outside world has not escaped commentators in the national press and leaders in the Chambers of Industry and Commerce.

The claim that the monetarist policies of the Government have stopped economic life, rather in the way that chemotherapy is supposed to poison both tumour and patient, is clearly unfair in view of the continuing vitality *of business life in Ankara and* Istanbul.

But several problems remain intractible. Mr Ozal does not seem to understand the financial sector as well as he does other parts of the economy. There is no way of knowing exactly how large the debts of industry to the banks are—but the proportion of portfolio loans which are "non-performing" is thought to be well above the 9 per cent officially admitted.

Under-utilisation of capacity still afflicts much *of* industry, running around 50 per cent on average. *Some firms are learning* how to use plant and equipment, originally intended for one purpose, for another. *Others* are not.

Real wages—which seem to have risen in 1983—dropped in 1984. But pressure from both unions and from civil servants is growing stronger. Mr Ozal pressures from unionists, I—? was able this year to contain pressures from unionists, though the first strikes for fou· years were *held in Istanbul* and Ankara during the autumn. In 1985, pressure for wage increases *may become irresistible*.

Foreign investment has not yet started to flow in on a significant scale, while domestic investment is hamstrung by high interest rates. That picture may change after 1985 as investments come on stream after anything up to two years in the pipeline. But so far caution predominates.

When all this is *said*, however, the prospects for the Turkish economy, even assuming that deflationary policies continue, are of growth of GNP at more than 5 per cent a year (and possibly much higher) for the rest of the decade.

For Mr Ozal, as much *as any* of his predecessors, is committed to the idea of rapid growth and, according to reports in the Turkish press, his Government has been resistant to suggestions from the IMF that it accept lower growth targets during the next five years in order to see the current account come into balance at an early point.

Mr Ozal is known to believe that unless annual growth *rates move up towards the 7* per cent mark, then Turkey's chronic social problems, notably unemployment, cannot be alleviated.

This implies something of a trade-off with his potential critics in industry if not in the *trade unions: a continuing* trade deficit and only gradual progress towards equilibrium *on the current account*, with inflation running above target levels (few industrialists believe *that* next year's target of 25 per cent will be met) in order to blur the social and economic consequences of Government policies.

This may not be as purist an approach as some of the Prime Minister's advisers would like.

On the other hand the pressures for industry to adjust and for the long-term restructuring of the economy are likely to continue while ensuring that risks are minimised. There may be casualties along the way and a great deal of private resentment, but the last thing Mr Ozal wants is another crash.

Industry's top six state enterprises

Company (area of activity)	Sales TL '000	Gross value added TL '000	Own capital TL '000	Profit TL '000	Labour force
Tüpraş—Turkey Petrol Rafinerileri A.Ş. (oil refining)	700,530,762	24,483,816	20,645,140	7,582,222	1,616
Türkiye Petrolleri A.Ş. (oil production)	339,428,179	35,461,611	129,075,525	67,479,028	7,277
Tekel Genel Müdürlügü (cigrettes, liquors, etc).		—	—	—	64,706
Türkiye Kömür İşletmeleri Kurumu (coal)	119,504,597	94,923,989	124,197,310	32,440,512	65,654
Eregli Demir ve Çelik Fab T.A.Ş. (iron and steel)	117,385,092	35,121,442	37,475,139	6,023,117	7,909
T. Demir ve Celik İşletmeleri Kurumu Genel Müd. (iron and steel)	93,012,573	24,692,179	—	−22,700,298	32,599

Reforms win approval

CONTINUED FROM PAGE 1

freely to the West not only as migrant workers but also as holiday-makers. Today, migra*tion has been reversed. Several* hundred thousand Turks are expected to have returned from West Germany by the end of 1985. Not only are there no jobs in the West but Turks wanting to go there on holiday have to face cumbersome and deeply resented visa and immigration formalities.

Modern technology, particu*larly* the colour television and the video, has offered ordinary Turks a new window on to the outside world and its ways, but the kind of insight that comes from direct personal experience is less available. In the end, convergence between Turkey and the outside world, particularly Europe, may be hard to achieve without it.

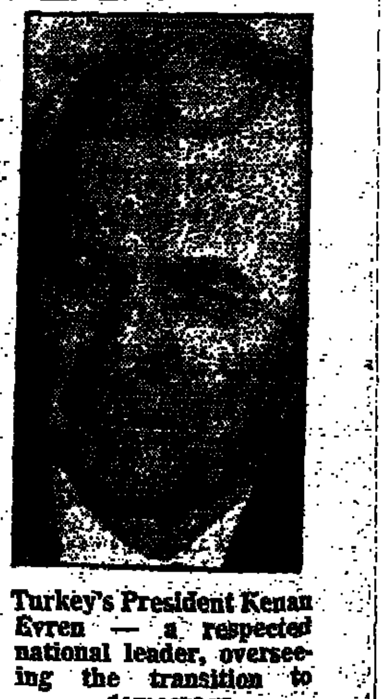
At home, Mr Ozal's second year as Prime Minister will probably be dominated by the struggle against inflation and his efforts to control the growth of the money supply. His political *opponents remain* weak and divided, but the followers of the ousted prime minister of *1980, Mr Suleyman Demirel*, remain influential. They may have had a hand in the October crisis inside Mr Ozal's Motherland Party in which the minister of finance was dismissed after accusing the Ministry of Interior of torturing customs officials during a corruption investigation.

Strong manager

All Turkish parties have traditionally been fissile and with an overall majority of only 13 seats, Mr Ozal is, in theory, vulnerable to any split inside his own party. One of the surprises of his first year in office, however, was that the Prime Minister proved to be a strong party manager. Hastily cobbled together in the *spring of 1983*, the Motherland Party has not always impressed outside observers *with its homogeneity*. However, it was set up at a time when chances looked stronger for most other brands of right wing politics.

Loyalty to Mr Ozal was and remains the chief force keeping it together.

For Turkey's future progress, it is probably essential that the sense of direction which Mr Ozal has given the country persists. It may not be true that there is no alternative to his policies, but it is hard for most Turks to imagine what those alternatives would be like, unless they were a return to the discredited policies in force before 1980. *No one seems to be* asking for that.



Turkey's President Kenan Evren — a respected national leader, overseeing the transition to democracy

TURKEY — Trade and Industry 3

Big improvement in export performance

IT HAS been a good year for Turkish trade. The raw figures tell part of the story. In the first ten months of the year exports of 5.7bn were 27.7 per cent higher than a year before, while imports were 15.1 per cent up, to $8.4bn

The result is that, despite the slightly liberalised regime, the trade gap has remained under control, falling by 4.6 per cent to $2.7bn.

Overseas trade
DAVID TONGE

Here the crux of the matter is that this year's experience has helped those who argued that Turkey no longer needed the double-glazed greenhouse protectionism of the past. This was the view of Mr Turgut Ozal, the Prime Minister, and the 1984 trade regime—rushed through mere days afer his Government was confirmed in office—reflected this.

The quotas of the past have been abolished in name and, virtually, in practice. There is now a list of banned imports including about 250 items and a further 370-odd customs classifications for which permits are required. All other imports are permitted.

This is not to say that free trade rules the roost. Import licences can be delayed and no appeal is allowed against refusal. The quantity controls of the past have been replaced by extremely stiff tariffs; a levy has also been introduced for a new housing fund—and in practice for other urgent Government expenditure, too.

Indeed, many companies complain that on the occasions when imports have begun to become competitive the Government has promptly boosted the charges on imports. The case in point is newsprint.

But the net result is that the Government is being encouraged to chip away at import barriers—and industrialists have begun to take more account of the need for competitive pricing.

Turning the page, exporters have also had to face changes. The most controversial has been the Government's insistence that only companies exporting over $50m in a recent 12-month period will be allowed to trade with the Eastern bloc.

More understandably, export subsidies have been reduced, but still the exporter is a privileged caste. He can retain part of his foreign exchange earnings. He receives subsidies called tax rebates worth up to 11 per cent of exports. He can claim tax deductions, first by not declaring for tax 5 per cent of export earnings and, second, by setting 20 per cent of export earnings against company taxable income. He can also obtain preferential export credit.

GATT has kept relatively quiet about all this: its members are happy to see Turkey on the road to recovery. But the Turkish Central Bank has had its complaints. In the spring it uncovered a simple but major fraud. Some companies had been exporting low-value carpets at greatly inflated invoice prices. The carpets were then let to rot in warehouses in Western Europe while the exporter made his money by claiming rebates on the invoice price, worth far more than the original cost of the carpet.

A second problem has been the way that some export credit has been diverted to non-export purposes.

All this said, Turkey's export performance has been remarkable in recent years, with exports doubling between 1980 and 1983. It has taken advantage of its common borders with Iraq and Iran—and of their hostilities in the Gulf—and it has also begun to export products with a greater value added than the traditional exports of tobacco, cotton, hazel nuts, chrome ore and the like. "industrial products" accounted for 65.7 per cent of exports in

Turkish statistics show that the first 10 months of 1983 and 73.6 per cent in the same period this year.

Istanbul's Golden Horn, long a centre of international trade, is seeing a new emphasis on merchant shipping.

Turkish officials admit these figures are misleading; the category industrial products includes many items which elsewhere are classed as agricultural. But the trend is clear—and continuing.

The Government is now working out what changes it will make in the export regime but already some points are evident. It plans to allow the existing rebate system to be blended into rebates on value added tax. It plans dramatically to simplify the procedures for issuing letters of credit: at present each such document involves up to eight tax calculations and more than half a day's work. It is also keen to improve port conditions.

This last point is crucial. Any Turkish exporter who has triend to compete with other Mediterranean exporters knows that Turkish ports are expensive and cumbersome: it does not help that some are run by the harbour authorities and others by the railways. At the same time, loading conditions are poor and draughts limited.

However, the long-term outlook is undoubtedly for a Turkey far more open to the idea of trade than the closed and suspicious economy of the past. One proof of this is the mushrooming of export houses along the main business thoroughfares.

Another is the new willingness of Turks to change their production and packaging techniques so that they can compete better abroad.

True, some still believe that the Middle East offers an Eldorado, but increasingly one hears companies say that first they must secure a foothold in the tough but predictable markets of West and East Europe. It is proof of the increasing maturity of the Turkish business world.

Fresh thinking on recruitment policies

Management training
DAVID BARCHARD

With most large Turkish private sector businesses still basically family concerns, it has only been in the past decade that corporations have begun to think hard about management recruitment and training.

"Even now family connections and loyalties still determine recruitment," says Mr Gungor Uras, a leading Turkish economist who advises the large Sabanci Group. "Show business is different and real business is different."

He dismisses some of the western-trained management specialists who have appeared on the Istanbul scene in the past few years as "window-dressing." "The best management is to be found in the established groups — Koc, Sabanci, and Yazici," he says.

Foreign companies coming into Turkey do not have a network of friends and relations to guide their recruitment policies and so have had to rely more on formal training, particularly in the banking sector. The result—which foreign banks often point to when called on to indicate the benefits to Turkey of their presence there—is that there is now a pool of between 30 and 50 Turkish young banking executives with international experience.

On the other hand, the absence of family ties shows. The new breed of Turkish bankers are fiercely fought over by both foreign and local banks, and some of the best-known of them have moved several times in less than half a decade.

At the University of the Bosphorus in Istanbul, are Turkey's only seriously regarded classes in business and management studies. Some industrialists, such as Mr Fethi Agalar, the managing director of Nasas, the aluminium manufacturer, continue to give classes there in order to provide a bridge between industry and the universities.

Mr Agalar is rather modest about these results of his efforts, pointing out that in any case there is a high leakage rate to other countries of the ablest students and teachers, especially to the U.S. with which Bosphorus University has longstanding ties.

Some of the older foreign companies in Turkey privately feel themselves to be tied down by middle-aged employees recruited a decade or more ago who have not lived up to expectations.

A Turkish business, particularly a rapidly growing one concentrating its sights on exports, tends to prize youth almost above all other qualities. The average age of all the companies' executives in the export marketing sector tends to be under 34 and some of the biggest businesses say they are interested only in recruits under 25—something of a problem when several years of a degree course are followed by a year and a half in the army.

The general feeling is that the talent is around though training is scarce, and that the likely growth of the private manufacturing sector is going to make competition for the talent much fiercer.

"Even so," says the son-in-law of an Ankara-based construction group "I can't imagine when the family will stop being the main factor. Trust is so important."

Accountants face an uphill task in Turkey. There is still no legal requirement for having outsiders inspect companies' books

Balance sheets should be read with caution

Accountancy practices
DAVID TONGE

EACH year Turks pore over the lists published of the country's top taxpayers—and those at the top of hte lists are duly happy to receive the bouquets and telephone calls of their friends. But ask a Turk what his company has truly made and discretion is the order of the day.

This sense that company affairs are private affairs is not surprising. Most compnies are basically family operations. But it spells difficulty for the accountants.

Accountancy is a relatively new profession in Turkey. It was only with the new tax law of 1950 that accountants and tax audits began to get off the ground, and only in 1975 that foreign accountancy firms began to set up in Turkey to try and chip away at the Turks' anxiety about an external audit. Even today there is no legal requirement for having outsiders ispect the books.

The first two foreign firms to set up in Turkey were Arthur Andersen and Touche Ross. Today the first survives, the second does not, though its local partner, Mr Yuksel Nedim Yalcin ,has subsequently set up a large and active shop with Price Waterhouse.

High reputation

Mr Turhan Yetkin, who runs Arthur Andersen in Turkey, says his firm now employs 50 people of whom 38 are in the professional divisions of accounting, auditing and tax consulting.

The firm has a high reputation in Turkey and has been providing management consulting services to the Central Bank as well as some Turkish companies.

This has been done with assistance from personnel from other Arthur Andersen offices. The firm puts emphasis on professional training of its personnel. It likes to recruit fresh from university.

Mr Yalcin, who is managing partner of Price Waterhouse Turkey, also argues that there is little point in hiring personnel who have acted in the traditional Turkish tax fields—which he sees mainly as book-keeping — or risen through the normal route of starting as inspector for the Ministry of Finance. His own experience includes four years as an inspector of a bank's accounts, and periods at Columbia and Harvard Business Schools.

His firm puts more emphasis on business consultancy than does Mr Arthur Andersen and this provided most of its revenue. Clients include the Agricultural Bank, the sugar industries, and the state fertiliser company. Like Mr Yetkin, he believes the Turks need a professional body of accountants, with Mr Yetkin in particular complaining at increasing problems caused by a lack of ethical practices.

"Some members of our profession are going to our clients and saying we will audit you for whatever price Arthur Andersen offered less 20 per cent."

Mr Yalcin's own firm, Muhas, and his operations with Price Waterhouse employ 38 professionals of whom three are expatriates.

A third joint venture is that established just over one year ago between the local firm Guven and Coopers and Lybrand. Mr Vahyi Somay, who manages the firm and who like many of those active in accountancy in Turkey won his spurs with Arthur Anderson, is the son of one of the founders of Guven.

In 1975 he joined his father's practice and in 1978 they established their first link with Coopers and Lybrand. As time went on and foreign banks and the International Finance Corporation, the World Bank's commercial window, became more involved in Turkey, so the demand for acceptable external audits began to grow.

Mr Somay says that his practice has grown with its clients and now it has reached the point where it can afford to be more aggressive. However, the striking thing about his own firm's figures is how they show the decline of "compliance auditing" from three-quarters of his work to under one half. By contrast, full auditing has increased its share as, most dramatically, has management consultancy services.

Two further foreign names in Turkey are Ernst and Whinney and Arthur Young, both through local representatives.

However, what unites all these groups is concern about the extent to which existing accounts reflect the state of banks and companies in a way comparable to the accounts presented abroad.

Bad debts

The first problem is the allowance made for bad debts. Turkish tax laws require companies to go through a series of procedures including recourse to the courts before they will be allowed to provide for them against tax.

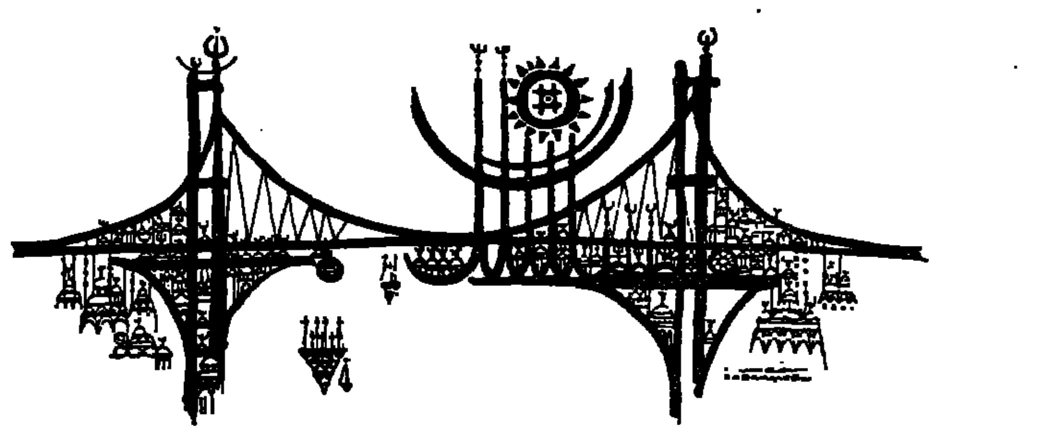
A second problem is that firms may only enter their severance payment liabilities when these are actually met, rather than making provision for them as they are incurred. Again, changes in the situation, because of foreign exchange swings, are also inadequately represented.

All these, and the lack of requirement for an external audit, mean that Turkish accounts often have to be read with some caution.

Could this situation be changed? Not overnight, say people like Mr Somay, who argue that there are simply not enough accountants to make implementaiton of such a law feasible. But those who want Turkey to evolve a proper capital market know that without full auditing in balance sheets Turks will not buy shares.

In the meantime, some companies prepare two balance sheets, one according to the requirements of Turkish law, the other to reflect generally accepted international principles. The would-be investor would do well to ask for the second.

● *David Tonge is director of International Business Services, a representation, consultancy and project promotion bureau in Istanbul. Formerly Economist Intelligence Unit representative in Ankara, until April 1984, he was Diplomatic Correspondent of the Financial Times, with additional responsibility for the paper's coverage and surveys on Turkey.*



Government committed to attract foreign investment

Time is of the essence

IT IS TOO early yet to assess how successful Turkey might be in attracting foreign investment. Attracting such funds remains an essential canon of the government's economic policy but Mr Turgut Ozal has been in office for only a year.

While Turkey has made some progress in putting its economic and political house in order, memories of the obstruction within the bureaucracy which foreign companies have met for so long remain. Further, the civil service is far from convinced, as its middle and lower echelons, of the policies promoted by the Prime Minister's "Chicago Boys," as Mr Ozal's close advisers are nicknamed.

Joint ventures numbered 100 in 1980, and now total more than 300. But foreign investment in the country reached only $325m in 1980. By 1983 it had risen to $932m, but of that total 80 per cent was accounted for by non-guaranteed trade arrears.

These were debts which Turkey had not been able to settle. Foreign creditors were paid but on condition they took the money in liras and invested it in the country. Of the 188 permissions to invest granted to foreign companies in the first 10 months of this year, only 50 were new "joint venture" projects, the remainder were increases in capital of existing companies.

Trade arrears

The percentage of non-guaranteed trade arrears in the total foreign investment figure is, however, declining sharply and should fall to negligible proportions by the end of next year.

To date, most of the action has been in the form of visits by foreign companies seeking out the new opportunities in Turkey: one senior U.S. banker in Istanbul says his office is overrun with people of every possible nationality, including the Japanese who are the most thorough and persistent of all questioners.

Turkey's record after the Second World War, in matters related to foreign companies, was not a happy one. The fiercely nationalist attitudes inherited from the period when Kemal Ataturk ruled Turkey, bitter memories of the creeping "colonialisation" of the Western powers before 1918, an increasingly less competent bureaucracy and no great need to export—all these factors made life unattractive to most foreign companies. This was so true that some actually left Turkey, among them Sperry Univac and Keyser Aluminium.

Some stayed, notably in the oil sector where their expertise was desperately needed. Matters were not improved as the country came perilously close to open civil war in the run-up to the 1980 coup and found itself crippled with a heavy foreign debt. By the end of 1979, and in spite of a GNP of $50bn, Turkey had a cumulative book value of only $228m in direct, non-oil foreign investment.

Paradoxically, its foreign investment law was liberal but the manner in which it was implemented discouraged foreign capital.

The more open attitudes toward foreign investment which came with the economic stabilisation programme enacted in 1980 and confirmed during the past 12 months have so far attracted auditing firms—Price Waterhouse, Arthur Anderson, Arthur Young, Coopers and Lybrand and Peat Marwick Mitchell, and the banks such as Chase Manhattan, Bank of Boston, American Express.

A few such as Holantse Uni had been there for some time; others such as Standard and Chartered are busy making up their mind while Mitsui is actively negotiating with Chemical Bank and a major Turkish group.

On the companies front things will take longer. Whereas the banks by servicing their international clients can carve a lucrative niche—at least while they do not become too numerous—manufacturers face tougher problems: the rate of depreciation of the Lira, an inflation rate of 45-50 per cent this year (nearly double the government's initial forecast), many price controls, problems of quality of raw material inputs, finding the right middle management which is not always easy, the risk of blocked profit remittances, and so on. All these require careful long-term planning.

Mr Ozal's government has done much to make investment more attractive to foreign investors: it has set up a powerful Foreign Investment Department headed by a no-nonsense former university engineering teacher, Dr Namik Kemal Kilic.

The department has all latitude to grant permission for investment for less than $50m.

Dr Kilic has the last word, above that figure his recommendation goes to the Council of Ministers. When the Foreign Investment Department has the last word, a decision is taken within one month. Only when a proposal is made by a Saudi investor of the Islamic Development Bank is the decision taken outside a formal meeting of the Council of Ministers, for the sake of confidentiality.

Repatriation

Changes are being made to the old 6224 Law on foreign investment, which dates back to 1954, all the time. The latest decree, number 30, enacted in July 1984, allows repatriation of all profits. Corporation profit is pegged at 40 per cent while withholding tax is 25 per cent on locally-distributed profits and 52 per cent on that part of profits distributed to the foreign partners.

Some foreign companies claimed that such percentages still discriminate against them.

The authorities make no secret of the sectors where they hope to attract foreign interest. Two large projects are on the drawing board: General Dynamics might build the engine of the F16 aircraft in Turkey to offset part of the cost for the country of acquiring the U.S. planes.

Other firms bidding on large defence, telecommunications and infrastructure projects know they stand a better chance of winning the contracts if they offer offset investments. ITT is doing a similar deal and is expected to build digital telephones. Northern Telecom already has manufacturing capacity in Turkey.

The authorities would also like the state railways (TCDD) to link up with a foreign company—General Electric or General Dynamics (?) to build locomotives. Other suggested link-ups involve Tusah, the staet aircraft company, Taskan (machine tools), Testas (electronics) and Turosan (diesel engines).

The U.S. FMC company and Etibank, the state bank which oversees the mining sector are engaged in talks which could lead to a $250m investment—a real coup if it comes off. That would be to develop soda ash. Philips Dodge is interested in developing copper. Metallgesellschaft in zinc-lead.

In the private sector, clothing, agribusiness and tourism—all of which are increasingly export-oriented—are all in the game. And the Government would like to break the monopoly of the state monopoly Tekel—there is a choice of candidates from abroad in this matter as Philip Morris and Rothmans who have already linked up with local groups Sabanci and Koc respectively.

Attractive markets

The Turkish Government is putting a lot of emphasis on the country's attraction as a regional base from which to export. However, Middle East countries are presently cutting back on imports due to lower oil revenues. This, however, should not detract from the fact that Iran and Iraq in particular will remain attractive markets for Turkish goods—food, machinery and white goods for many years to come.

The wait-and-see attitude adopted towards Turkey is unlikely to change fast in the view of many foreign companies working in Turkey. Companies may hold Mr Ozal and his policies in high esteem but they do not know the men below him.

Foreign investors agree that the political risk has decreased dramatically since 1980 but they still worry about the risk of expropriation or refusal to allow repatriation of profits.

They recognise the limitations of Mr Ozal's government: the transitional years towards a more open and efficient economy are bound to be marked by temporary policy reversals. The length of stay of the present administration is a key factor: the longer Turgut Ozal lasts, the greater confidence will be. For there is no assurance that any successor would continue to ensure a hospitable business environment.

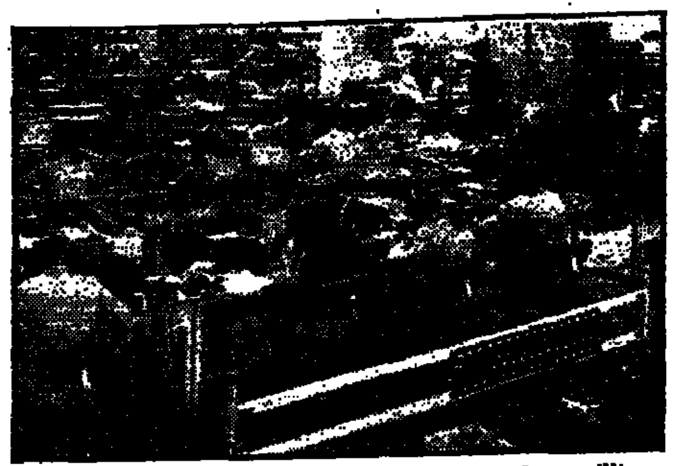
The Prime Minister and the President understand each other well but could strains become apparent if the inflation rate next year is not lower than 1984s 45-50 per cent and if unemployment is not reduced? Can the standard of living of so many wage earners continue to decline without undermining the present policy?

The degree too which foreign companies do decide to invest in Turkey will help—or hinder—confidence in Mr Ozal's policies. Yet all recognise that putting the economy a sounder footing is a long-haul task: if inflation does not abate will the government print money to stave off bankruptcy in many Turkish companies or will it let companies go to the wall and thus allow unemployment to rise? How will it go about dismantling some of the extraordinarily inefficient state enterprises?

Companies outside Turkey recognise that the Turkish Government is doing all it can to attract investment from abroad. So far they have displayed interest, some indeed have put their money where their mouth is. But most have adopted a wait and see attitude the result both of bad memories from the 1960s and 1960s and their own often tight financial position.

Time is of the essence. It may be a good time to reassess the country's economic progress but—in the eyes of many—it is too early to commit much hard cash.

Francis Ghiles



Printed circuit boards being made at the Aselsan military electronics plant outside Ankara

Companies acting under Law 6224 by sector

(TL m, December 31,1983)

	Number of companies	Foreign capital	Share in total foreign investment (%)	Total capital	Share of foreign capital in total capital (%)
Agriculture	3	1,488	2.42	2,992	49.73
Mining	2	432	0.70	630	68.57
Manufacturing industry:					
Cement	1	510	0.83	3,600	14.17
Chemicals	26	6,783	11.05	8,987	75.48
Electrical machinery	18	3,682	6.00	8,114	45.38
Fertilisers	1	473	0.77	1,000	47.30
Food and beverages	16	6,152	10.02	11,387	54.03
Forest products	4	822	1.33	2,200	37.36
Glass	3	1,593	2.59	16,050	9.93
Iron and steel	6	1,799	2.93	4,990	36.05
Machinery	10	1,426	2.32	5,417	26.32
Metal goods	8	1,427	2.32	5,038	28.32
Non-ferrous metals	3	478	0.77	2,950	16.20
Paper	4	1,499	2.36	3,090	46.89
Plastic	3	179	0.29	394	45.43
Baked clay and cement materials	5	1,124	1.83	3,250	34.58
Textiles	14	4,303	7.01	9,208	46.73
Rubber	4	1,096	1.78	2,001	54.77
Transport vehicles and related industry	15	6,676	10.96	19,457	34.31
Other	7	1,688	2.75	3,463	48.74
TOTAL	153	43,580	71.03	114,218	38.16
Services:					
Tourism	13	2,889	4.70	5,623	51.38
Banking	7	7,624	12.45	13,440	56.73
Land transport	4	1,321	2.15	1,928	68.52
Maritime	1	5,580	9.09	11,160	50.00
Other	7	360	0.58	769	46.81
TOTAL	32	17,774	28.97	32,920	53.99
Grand total	185	61,354	100.00	147,138	41.70

Source: SPO Foreign Investment Department.

Foreign investment in Turkey under Law No. 6224

	Annual	$m Cumulative
1978	11.7	234.5
1980†	97.6	325.1
1981†	337.5	662.6
1982†	167.0	829.6
1983†	102.7	932.3

Changing attitude towaлds foreign investors

Working towards simplified rule

"YOU MAY have a work authorisation but, until you have a work visa, you cannot have a work permit," the Turkish immigration authorities cheerily told me this autumn.

"How do I get a work visa?"

"You must go abroad and apply. It will take some months to get an answer. Or else. . . ."

In the end, the "or else" was the solution. A call to the authorities' commander in Ankara, a short trip to the capital, courtesy Turkish Airways, and an agreement to pay a couple of dollars for a "penalty visa," and I could move on to the next stage of setting up a a foreign investor.

The lesson was two-fold, that in Turkey one should not be daunted by the impossible obstacle—its daily occurence is why the Turks hold a number of records for cigarette smoking—and that the overall attitude to the foreigner are better in the upper reaches than the depths. The Government is *committed to attracting foreign* investment. If the case you present is reasonable, then top officials will shift heaven and earth to help.

Much has changed in the past few years. For those now running the country, the problems of the late 1970s were the direct result of the autarchic, suspicious approach *that Turkey adopted to the out*side world. For them there is no question of returning to the defensive attitudes adopted following the outside exploitation of the Ottoman Empire during its dying days.

Instead, the call is for modernisation and themodel for the government is in many ways Japan. This is seen as having imported the best ideas from outside while preserving its more valuable religious and social traditions.

But openness to new technology and techniques is tempered by a healthy suspicion.

Men like Mr Namik Kemal Kilic, head of the Foreign Capital Department of the State Planning Organisation, have had a large *number of* sales pitches made by would-be investors who have managed to break the codes of the lifts in the new Prime Ministary. They expect professionalism and preparation. And they prefer foreigners who foresee some Turkish involvement in their team.

Single law

The basic rules covering foreign investment are Law 6224 of 1954 which was aimed at manufacturing operations; and Decree 30 of this July which covers services as well. The Government is *now* working on a single law which will incorporate both these elements.

The regulations are generous. New investors can receive up to 100 per cent relief on *customs* duties *on* imported goods. He may be eligible for investment allowances, particularly if he invests in the poorer regions of the country. If the project is export-oriented it will receive the incentives given to exporters (see article on trade). It may also receive bank credit at preferential rates. Profit repatriation is guaranteed.

Foreigners need to take care as some of these incentives are only given to local investors, despite repeated attempts by the Foreign Capital Department to end this discrimination.

But the *most* important incentive of all is the openness of the Government and senior officials to a dialogue. With the proper idea and the proper local partner, mountains can be moved. But start off by making sure that your initial permit covers all the filds you may enter and remember patience is needed. However quickly the Foreign Capital Department acts, others have still to adapt to the end of the *ancien regime*. And the lower bureaucrats need wooing, rather than confronting. It is an obvious point but one worth repeating, that in Turkey, as elsewhere, the businessman who loses his temper loses the argument. So take your worry beads with you—and your cigarettes.

David Tonge

Impartiality pays handsome dividends

AFTER MORE than half a century of relative indifference to its southern neighbours, Turkey is now vigorously pursuing business opportunities in the rest of the Middle East.

The secular state, created by Kemal Ataturk, makes the venture somewhat ambivalent, sometimes involving apparent compromises on such matters as attitudes towards the veiling of women or to Islamic banking (admitted quietly to Turkey during 1984).

Middle East Trade

STEPHANIE GRAY

The country's position as chairman of the ecnoomic committee of the Islamic Conference is thus a sign of necessity rather than affinity.

After "sleeping for 50 years," as one businessman put it, Turks have now taken up trading with the Arab world with a vengeance. Last year, exports to the Middle East made up almost holf of the total. This year, they are expected to comprise $3.5bn of projected $7.5bn export earnings.

Almost every Turkish company and bank, large or small, has some dealings with the Arabs, and though the flurry of activity in construction projects in the region has subsided, businesmen have been quick to take up other opportunities.

The country is, of course, ideally placed to tap the market. Its geographical position makes for easy access and transit traffic is estimated to bring in at least $500m a year.

It is one of the few countries in the world with an agricultural surplus and the growing food deficit in the Middle East bodes well for large Turkish exports. Furthermore, the country has a wealth of contractors and engineers as well as a workforce whose demands when working abroad are far less than their European counterparts.

Most of all, though Turkey is highly adept at avoiding inter-Arab disputes and its scrupulous impartiality in the war between Iran and Iraq has paid handsome dividends, with Turkey playing the quartermaster to both sides.

It is said that senior Iraqi and Iranian ministers have almost bumped into each other at Ankara airport—the one leaving, the other arriving—leading to speculation, as yet unfounded, that Turkey may act as a mediator in attempts to end the war.

Certainly, an end to the conflict would be to Turkey's advantage. Exporters and transporters hope to be well enough entrenched by then to be able to fend off any competition.

For the time being, trade with Iran particularly is flourishing. Turkish exports having increased by 25 per cent to between $1.3bn and $1.5bn in 1983. Sales in the first six months of 1984 amounted to $497m, though that figure does not take in letters of credit exchanged in July.

The exports are paid for almost entirely by 6m tons of oil, trade being handled through a clearing account administered by both countries' central banks with a $300m credit limit of either side before cash payments need to be made.

More complicated

There is an extra $500m in trade between Turkey's eastern provinces and the Iranian provinces of East and West Azerbaijanx—food for oil from the Tabriz refinery.

Trade with Iraq, on the other hand, is more complicated. Because of strong pressure on its foreign income, Iraq earlier this year persuaded Turkey to offer cheap credit over a year to cover 50 per cent of the exports.

Officials decline to discuss the mechanics of the arrangement in detail but it has resulted in $456m exports in the first half of 1984, compared with a mere $119m in the first six months of 1983.

Mersin market in southern Turkey.

Turkish contractors, meanwhile, are resorting increasingly to barter deals on Iraqi contracts, with payments to be made in oil.

Despite differences between the two countries on the effects on the flow of the Euphrates, once the Ataturk dam is built, relations are good enough at present for Iraq to allow Turkish troops to operate against Kurdish rebels up to 15 miles inside its border.

Relations with Libya, too, are friendly. Turkish officials worry about Tripoli's espousal of terrorist aims. But everyone remembers that it was Libya that supplied crude oil to Turkey in the dark days at the end of the 1970s when the country was almost bankrupt.

The friendship was further sealed last month when the two countries signed a protocol on the joint construction of a dockyard in Libya, the setting up of a joint fertiliser plant in Turkey, co-operation in the furniture and automotive industries and the building of petrochemical installations in both states.

Construction has been the main Turkish activity in Libya with contracts worth $8bn having been signed over the last eight years. More than 100 countries and 67,000 workers are engaged on Libyan building sites

There have, however, been restrictions on transfer of payments from Libya which has caused great concern and it could well be that barter trade will provide the key to the problem of Libyan arrears, said by Ankara to amount to $400m.

Business with Saudi Arabia remains fairly static with exports staying around the $300m market and imports of oil remaining at about 1m tonnes a year. The setting up of a $150m joint trading company, however, is expected to boost the trade and feasibility reports have been presented on a number of projects ranging from poultry farming to mining and packaging have been put forward.

At the same time, Saudi Arabia is one of the few Arab countries to have lent finance to Turkey, despite much talk about such equity investment from the Islamic world. So far, Saudi Arabia has pledged credits of some $600m for various projects and an extra $400m has been promised by Kuwait, the United Arab Emirates and Qatar.

Overall, trade with the Middle East this year seems set to recover from the slight dip experienced in 1983 and the growth is likely to continue, especially if measures put in train at the Islamic Conference's economic committee meeting last month are realised.

The talks laid the groundwork for a sort of Islamic EEC with resolutions on standardisation of commodities, a trade information network, trade financing and an Islamic clearing union.

Turkey's only concern at the moment is apparent overtures by Andreaus Papandreou, the Greek Prime Minister, towards such countries as Iraq and Syria. It was after all, an attempt to secure Arab backing against the U.S. arms embargo, following Turkey's intervention in Cyprus 10 years ago, that prompted the country to join the Islamic Conferecene fold in the first place.

Five-year pact expected

Comecon Trade

STEPHANIE GRAY

BARRING accidents, Mr Nikolai Tikhonov, the Soviet Prime Minister, is set to visit Turkey this week and, though neither neither country officially celebrates Christmas, he is none the less expected to come bearing gifts.

These are likely to be in the form of a five-year bilateral trade pact, said to be worth $6bn, and details of an agreement on two Soviet natural gas pipelines. One of them, to Istanbul, is expected to start operating in 1987.

Ostensibly, Mr Turgut Ozal, the Turkish Prime Minister, wants to generate more trade with the Eastern bloc. He will nevertheless be watching for strings that might be attached to any Soviet package.

It is widely believed that Mr Tikhonov will try to persuade Mr Ozal to reverse controversial legislation, introduced last autumn, which restricts sales to Comecon countries to about 20 groups which export more than $50m a year each.

The move upset the Eastern bloc. They object to being prevented from dealing with companies they have come to know and trust and they complain about having been singled out for special treatment by a country that claims to be devoted to liberalising trade.

Because the large export companies are less experienced in importing, they also see it as a barrier to their own exports — a concern that appears to have been proved by this year's figures which show East bloc exports forthe first eight months at $489.3m against $802m for the whole of 1983.

In the light of a slump in Turkish exports to the Soviet bloc that followed the ending of clearing arrangements (after which all trade was to be transacted in hard currency), Ankara's intention was to improve the balance of trade which last year ran at $557m in Eastern Europe's favour.

The Government felt that the big export companies would have a better chance of achieving this.

Naturally enough, the small companies argue that they understand their traditional market better. These companies are able to sell their goods through the big export groups but they are often reluctant to hand over details of business contacts to the large concerns for fear that they will eventually cut them out of the market altogether.

In some quarters, however, a more sinister interpretation has been put on this reticence. Many believe that the small companies had "private arrangements" or "hidden business" with their East European connections.

One businessman whose experience behind the Iron Curtain spans almost 30 years, has long been suspicious about the nature of some of the trade carried out by small businessmen. He recalls many instances of Russian companies, for example, preferring to deal with a specific Turkish business, despite lower bids from competitors.

Exchanges

No-one knows for certain what sort of exchanges took place but they do know that, after the military takeover in 1980, 5m small arms—rifles and pistols mainly—along with all the ammunition to go with them, were discovered and they were not made in Turkey.

The wild Black Sea coast and long border with the Soviet Union make smuggling particularly difficult to control.

Smuggling possibilities aside, Mr Leo Caouki, director of Egemetal, a company that is still in business with Romania, Poland, Czechoslovakia and the Soviet Union, sees the regulations as a method of preventing small concerns signing contracts that they cannot in the end fulfil.

"We started trading with Romania in 1981. At the time, seevral other mining companies signed contracts which they then used as a bargaining chip to obtain export credits," he says. "Under the present system, the trading is more organised."

Mr Caouki admits, however, that the legislation is unfair. While some companies are trying to merge to meet the $50m mark, others have been completely wiped out.

Some big export groups are still reporting resistance by would-be Comecon customers to deal with them but, overall, it is too early to tell whether the policy is having the desired effect.

PROFILE: RAM DIS TICARET

BY DAVID BARCHARD

Cinderella starts to have a ball

WHEN the grand old man of Turkish industry, Mr Vehbi Koc, visited Japan in the late 1960s, among other things, he was struck by the trading houses of that country. The result was Ram Dis Ticaret A.S. set up in 1970.

For the first ten years of its life, the company was a relative Cinderella in the Koc Group, which has led the way in setting up new industries in Turkey oriented to the national market. By 1980, the Ram Dis Ticaret was still only doing a total of $65m worth of exporting a year.

Since then, however, the volume of its business has increased sharply and Ram Dis Ticaret has become one of the star performers of the Koc Group.

The company is still quite small. It currently has a staff of 200 people, though this is expected to rise to 250 next year. As with other Turkish trading houses, the accent is on youth. Mr Ibrahim Yazici, Ram Dis Ticaret's managing director is a relative Methuselah at 40. "We like to keep the age as young as possible in our staff," says Mr Ziya Uluer, deputy managing director. "The average age shouldn't be more than 32."

Nearly 60 per cent of Ram Dis Ticaret's business is done with the Middle Eastern markets, which mushroomed for Turkey after 1980, replacing a previous emphasis on textile sales to Europe and North America.

In 1979 Ram set up an office in Iran. It has subsequently moved into Iraq, Algeria and Egypt and is developing links with Syria and Jordan. In the U.S., another subsidiary, Ramerica, has had an office since last September.

"Our biggest problems are financial," says Mr Uluer. "Rates for credit are very high in Turkey and we get no export insurance."

Even so, Ram is expected to gross exports of about $230m in 1984 and to make net profits of over TL 1bn ($2.8m). Among its exports are fresh and frozen meat, textiles, tractors and other vehicles, white goods, and construction materials. The days when Ram Dis Ticaret simply sold goods made by Koc are long over. This year the firm is selling the products of more than 250 Turkish companies outside the group.

Mr Uluer identifies trading of goods from second countries as one growth area. "We only sold about $10m of second country goods this year, but I expect it to rise substantially in 1985."

Because of the cost of financing inside Turkey, Ram Dis Ticaret, and other firms like it, try to borrow money abroad when possible. "The subsidised interest rate for exporters is about 65 to 70 per cent," says Mr Uluer. "There are very few items you can make such a profit on."

Along with 19 other companies, whose reports top the $50m a year mark, Ram Dis Ticaret enjoys the right to import from countries with "nationalised foreign trading systems" — mostly those in the East bloc. "It may look a bit unjust" says Mr Uluer "but it has encouraged some companies to boost their exports so as to get above $50m."

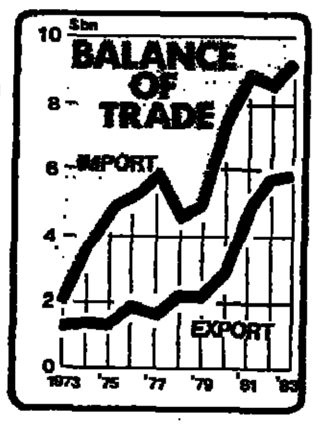
Ram Dis Ticaret does relatively little importing business at present—only about $10m a year of direct importing, but Mr Uluer is confident that the 1985 figure will be much higher.

As a source of hard currency for the Koc Group, Ram Dis Ticaret's role seems certain to grow. Its appearance near the top of the league of Turkish trading houses looks like a sign that the major industrial groups in Turkey are shifting their sights to world markets in a way which would not have seemed possible before 1980.

Political relationship remains uneasy

EEC: the hard way ahead

DAVID BARCHARD



THIS MONTH the 20th anniversary of the Treaty of Ankara which set up the Association Agreement between Turkey and the European Community is being celebrated in muted tones. Despite the Turkish decision in October to purchase the European A-310 Airbus, the political relationship between Turkey and Western Europe is uneasy.

Economically, however, the story is a bit different. Turkey's imports from the Community have held steady at around 28 per cent of the total during the past four years but the percentage of Turkish exports going to the European Community which was falling in the late 1970s and early 1980s is climbing again.

This year Turkish exports to the EEC have risen by 35 per cent and make up around 40 per cent of the national total, standing at just under $2bn in the first nine months of the year. Turkey's exports to its Middle Eastern neighbours are growing much less swiftly.

Arguments about textile restrictions have faded, though there is the making of a new trade row over agricultural exports such as sultanas where Greece is pressing for a minimum import price set high enough to keep out many traditional Turkish exporters to Europe.

The fundamental problem goes much deeper. It is basically that Turkey and Europe have still not made their minds up about each other and the institutions linking them—such as the Association Agreement—were constructed without much forethought.

Originally designed to take Turkey into a customs union with the Community by 1995, the Association Agreement has not stood the test of time. Turkey has been unable to maintain its schedule of tariff reductions since 1977. Recently the question of resuming the programme was discussed by the Government and it is possible that there will be some gestures in this direction in the future.

Equally, the Community is unable to maintain its pledge to allow the free migration of Turkish labour throughout its member states by 1986. Not only have the doors been effectively closed to Turkish labour for a decade, but in West Germany repatriation has become a major objective.

Human rights

Since the military intervention of 1980, the ministerial Turkey-EEC Joint Association Council and its parliamentary counterpart have not met. Turkey has pressed for these to resume—and has moved to select its own delegates for the Parliamentary Council—but so far has had to be content with meetings at official level.

From the Community's side, human rights issues are seen as a major sticking point. A number of controversial trials have ensured that $530m of economic aid, due under the Fourth Financial Protocol, has been blocked since 1981. The Turks point out that the block was originally a protest at the gaoling of the former Prime Minister, Mr Bulent Ecevit, who has long since been set free.

Equally problematic is the question of Turkish entry to the Community. In 1980, the Government declared its intention to make an early application for full membership of the EEC. That was prevented by the subsequent spell of military rule, but Mr Ozal's declared intentions are hard to fathom.

He has said that there might be a "surprise application" at any time — but some Western diplomats believe that the premier's heart really lies in closer relations with the United States and the Islamic World, and his interest in Europe is slight.

Outside Turkey it is generally feared that a premature application for full membership would be a diplomatic disaster. "There would be the likelihood of one veto, perhaps two," says a European diplomat in Brussels "and Turkey's friends would not be able to do much, particularly if she had not lobbied effectively in advance."

Inside Turkey, there is as yet little awareness of the profound consequences for the Community of the Portuguese and Spanish enlargement. Turkey does not seem to have stepped up its links with either country to ensure that potential clashes of interest with them after they join the Community are minimised.

The size of Turkey would be a major problem in any membership talks. The country's land area is exactly half that of the old Europe of the Nine. Its population is expected to be of the order of 65m to 70m by the end of the century and will still be growing.

With a per capita GNP currently under $1,000, the economic and social implications of Turkish membership would be hair-raising unless the relationship was seen as a purely formal and political arrangement—something which, despite the concessions earlier enlargements have forced on the Community, is regarded as unthinkable in Brussels.

From the U.S., however, there is some discreet pressure for Europe not only to mend its disagreements with Turkey, but also to consider early accession. Indeed Turkey's membership of Nato is probably the chief (though never publicly admitted) reason why the country figures at all in the Community's long-term thinking about its own future.

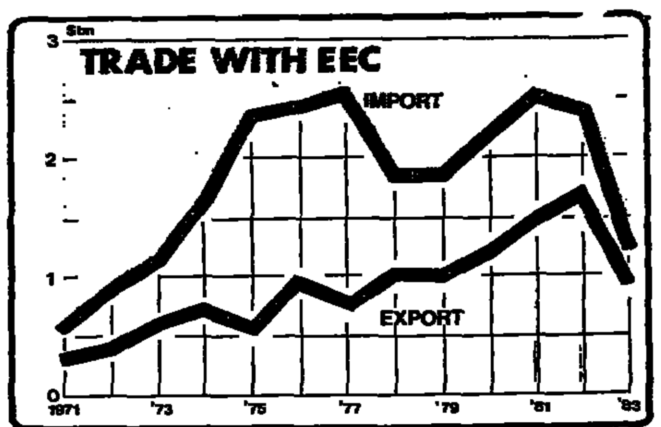
The search for ways of improving Turkey's relationship with the Community tends to focus on the reactivation of the Association Agreement. Steps along the way could be the resumption of the Special Aid Programme of 1980, the signing of the Fourth Financial Protocol, and the tentative resumption of parliamentary links.

On the last point there is a snag that while the largest two opposition parties are unrepresented in the Turkish parliament, it is hard to get a slice of centre and left opinion in the European Parliament to accept the parliamentary situation in Turkey today as fully normal.

There may be other ways forward which involve less controversy.

Some Community officials would like to see more active Turkish/EEC co-operation in new fields such as research and development, standards, technical barriers, trades union and employers bodies. "Turkey

Shut out of Europe? Turks queue for visas outside Western embassies



Moves to cut back the state's role

The State Economic Enterprises

FRANCIS GHILES

THE UNTHINKABLE is happening in Turkey: earlier this month, two series of income sharing certificates were put on sale, through Is Bankasi, which are expected to raise TL10bn (£17.70m). The Bosphorus Bridge, built 10 years ago is being put on sale and senior Turkish officials are not shy to quote Mrs Margaret Thatcher's policy of privatising parts of British state industries.

The Bosphorus Bridge is the first of a string of candidates—or victims as some Turkish parties see it—which the government of Mr Turgut Ozal intends to sell to the public in coming years, in an effort to cut back the role of the state, whose state economic enterprises (SEE) account for 46 per cent of Turkey's manufacturing and services output.

The next candidate for sale is THY, the national airline company, Turk Hava Yollari. Ports, dams and power stations are expected to follow.

The Bosphorus Bridge income sharing certificates will offer the investor a return of 18 per cent over three years or 16 per cent over five, depending on whether he buys series A or B. Each certificate has a face value of L50,000.

With a gross revenue of L9-L10bn this year and a projected revenue of L12bn next year, the Bosphorus Bridge looks a reasonably attractive proposal. Its managers will from now have the power to fix the toll themselves. Success should greet this operation.

THY is a more delicate case. It will not be split into two companies as many observers first believed and foreigners, when THY is put on sale, will be allowed to purchase shares. The Bosphorus Bridge shares were oversubscribed when they were put on sale on December 3.

Interest

Mr Vahit Erdem, who is in charge of the privatisation programe, expects a foreign bank or consultant to help him out—Arthur Anderson, Chase Manhatten and Lazard Freres have already expressed interest. The offer of THY shares is not expected until later next year.

Meanwhile, the proceeds from such sales will be channelled by Mr Erdem's office—called the Directorate of Mass Housing and Public Partnership Administration Fund into mass housing projects. Mr Erdem point out that the name "income sharing certificates" has been chosen so as not to cause offence to potential buyers who are strict muslims: the word and indeed the practice of interest is strictly banned by the Koran.

The hurdles ahead, however, are truly formidable — most SEEs are famed for their inefficiency and size of debt—a drain on the country's Treasury which is so great that it probably cancels out much of the benefits of Mr Ozals cost cutting exercises so far.

SEEs are Turkey's version of UFOs: undercapitalised, run by a floating management and grossly overstaffed. Turks and foreigners alike have few kind words for these monsters whose number has risen from 27 to 34 since 1980.

Mr Ozal's administration was not able to stop the setting up of a state motor company, Tumosan, in 1981. Furthermore, bankruptcies in the private sector where companies have been saved by public sector banks have combined with these new state companies to extend the weight and role of the private sector since 1980.

The Prime Minister may be determined to cut back the role of the public sector—which Turkish industrialists often describe as a "cancer" but reforms will take years, if not generations to bear fruit. The accumulative losses of the SEEs greatly contribute to Turkey's endemic inflation. With a few exceptions, the SEEs are poorly managed, overstaffed and unprofitable.

Initial aims

How they can be dressed up to appeal to would-be investors, especially at a time when interest rates are around 40 per cent, is a conundrum that no officials can really answer. Government bonds offer yields of about 50 per cent, tax free.

What complicates matters further is that the frontier between private and public sector is impossible to draw with any degree of precision. Hybrid organisations abound: the motor corporation Tofas has the state supply agency alongside Koc, a major private group and Fiat among its shareholders. Others have two shareholders only, but overall the figures are very confusing.

SEEs are attached to 12 different ministries and 30 supervisory organisations. There are 111 wholly-owned state bodies and 56 dependent ventures.

Set up in the 1930s and 1940s and contributed greatly to laying a modern industrial basis in Turkey, at a time when water and electricity outside the cities did not exist, they acted as a powerful force for change.

Their initial purpose, however, has long since gone.

The result today is a sprawling giant where rates of productivity and salaries are often low. Coal miners dig 500 tons of coal a year—a record low! But successive governments wish to keep the price of coal down never allowed the mines to be modernised.

The Government edicted a new statute for the SEEs 18 months ago, responding to pressure from the World Bank. The Government has, however, made its views felt strongly.

It has successfully objected to Ziraat Bankasi holding onto several successful companies in the now bankrupt Kozanogiu Cavusoglu Group and can point to the thriving military electronics Aselsan company, though the latter is by Turkish standards very high capitalised.

General Dynamics & Tusas, the state aircraft corporation will build F16 engines together and that will no doubt be a successful venture.

Tekel the state alcohol and cigarette monopoly has failed to stop foreign cigarette imports and joint ventures to make them in Turkey and some joint ventures between SEEs and foreign manufacturers such as MAN and Daimler Benz appear to be working well.

The government has thus not been totally unsuccessful but the road ahead is an arduous one. Reducing the deficit of the SEEs and making them more efficient will inevitably mean shedding labour and tight financial management. Both will hurt.

Hard work starts to pay off

Progress in telecoms

DAVID BARCHARD

WITH ANY luck, 1985 will be a year in which subscribers to Turkey's telecommunications system begin to reap some of the rewards of hard work maintained during the past three years.

A neglected aspect of infrastructure during the three decades before 1980—perhaps simply because local pressure groups in Turkey do not lobby for telephones and telexes in the way that they do for new roads and industry—telecommunications are now being given sharp emphasis.

Mr Servit Bilgi has been at the head of the PTT since 1980. He is a retired general and a man spoken of among younger engineers with universal respect as a "technological pasha."

In May this year, the PTT placed a $330m order with ITT for 3.4 million digital exchange lines, with 500,000 lines being produced annually in Istanbul in a joint venture with Teletas PTT's subsidiary. There are also to be wireless telephones for Turkey's villages, many of which are in areas where line-laying is impractical, and 3.5m telephone sets.

Meanwhile demand still threatens to outstrip supply. The number of telex subscribers, for example, grew by 27 per cent in the four years since 1980, but at the end of the period there were 8,471 people on the waiting list, compared with 8,200 at the beginning. New telex lines, sufficient to eliminate the waiting list, were planned to come into service in 1984, but this has not yet happened.

The volume of internal telex traffic has risen by 77 per cent during the same period and that of telex messages to the rest of the world has more or less doubled. To spread the load, the PTT has introduced guichet telex services.

The telephone system has a similar story and there is less likelihood of excess demand being met in the near future. Though the number of telephone exchanges rose by 18 per cent to 3,896 in the period since 1980, only about 6 per cent of these are automatic exchanges.

There are only 47 telephones per 1,000 people in Turkey, a rate far lower than that of the rest of Europe—1.5m people are waiting for a telephone—and when it does come the new phone will be expensive. The waiting list is, in fact, roughly as long as the number of existing telephone mainline subscribers.

"The PTT is handicapped by lack of investments in the past and by some irrationalities then," explains a young Turkish electronics engineer. "But if you look at what the present head of the PTT is doing, you will see that it is really the most sensible way to tackle the situation. In a few years, things should be much better."

Under new management the PTT has become much more imaginative in the range of services it offers. There have been efforts to introduce direct dialling facilities in all major tourist centres and last year the PTT purchased a number of mobile telephone centres which enable tourists on the southern coast to make international calls easily and relatively cheaply.

Longer term investment perspectives are dominated by the telecommunications master plan announced in 1983. This envisaged increasing the number of telephone subscribers from the present 1.6m to 7.2m over the decade until 1993.

Mainline density was to rise to 12.2 per cent and virtually all telephone subscribers would be connected to automatic lines—at present about 38 per cent of subscribers are linked to extensions or PBX lines. By the end of 1993, anyone who wants a telephone in Turkey should be able to have one without delay.

In August 1983, the PTT signed an agreement with Netas, a joint venture of the PTT and Northern Telecom of Canada, to start making electronic digital telephone exchanges. The present analog transmission systems and electromechanical crossbar switching exchanges will be gradually replaced by a digital network.

The PTT is developing a rural electronic telephone exchange network with a total capacity of 3,000 lines to meet the needs of the countryside—Yeni Foca and Bodrum on the Aegean, and the towns of Pasinler and Kemalpasa in the east, were selected for the first four rural electronic telephone exchanges.

There has been progress in more humdrum areas too. Turkey is a country where telephone numbers are often changed and new exchanges are installed—and where telephone books appear infrequently and are often out of date. Since 1983 however, subscriber information services in Ankara and Izmir have been computerised and numbers can be learned within seconds.

Siemens, which is expanding its two plants in Istanbul making cable and switchboard, switchgear, telephone and telex exchanges, is also handling an order from the PTT to its German parent company for the introduction of new digital telex exchanges suitable for data transmission.

A major step forward should come in the second half of 1985 when Siemens installs an initial 800 telex machines—the first of their kind in Turkey—in the four major cities of Istanbul, Ankara, Izmir and Adana.

In short, Turkey's bid to improve its telecommunications services looks like taking time, but will start producing results steadily over the next half decade. It has also made the country a rapidly expanding market for the major world telecommunications companies.

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PROFILE: YUSUF BOZKURT OZAL

By DAVID BARCHARD

A clear-minded planner

UNTIL EARLY this year, the Turkish public was accustomed to the idea of only tfo Ozal brothers. One was Mr Korkut Ozal, who had been a leading political figure in the late 1970s in the National Salvation Party and today is heading a number of business ventures, including Turkey's first essay in Islamic Banking.

The second brother of course is the present Prime Minister, Mr Turgut Ozal.

However the brother, whom the prime minister's mother is fond of telling journalists is her "cleverest" son, Mr Yusuf Bozkurt Ozal, 44, only surfaced with the Turkish public in April this year when his elder brother appointed him head of the State Planning Organisation.

The Headship of the SPO is a key appointment. Mr Turgut Ozal himself held the position twice, in 1970 and again in 1979 —on both occasions using the position to devise strategies for Turkey's economic performance over the next few years.

The choice of his younger brother for the post provoked comments that the premier is running Turkey like a Turkish industrial corporation in which all the top jobs tend to be kept inside the family.

In fact the junior Mr Ozal's background—as an economic analyst for the International Finance Corporation in Washington—more than qualifies him for the position. He has used the months since then to assert himself at key meeting with industrialists as a clear-minded thinker in his own right.

Mr Yusuf Bozkurt Ozal: well-qualified to head the State Planning Organisation

During the summer the SPO worked overtime to produce Turkey's first five-year plan since 1979—a document which was much shorter than its predecessors, confined essentially to mapping out goals and strategies.

In Mr Ozal's background, the chief qualities both of his family and the technocrats whom his elder brother has promoted overlap. Like the rest of the family, Mr Ozal is a stocky, swarthy son of his native Malatya. He is a devout Muslim who in restaurants is careful to avoid eating pork and never drinks alcohol.

On the other hand his aides are subject to no restrictions on their personal behaviour, a sign of the famed Ozal tolerance.

Like many of the top Ozal officials, Mr Ozal was educated in Britain and knows many of his colleagues from that time. He did A-levels at a London polytechnic before moving on to study electronic engineering at the University of Liverpool and take a Ph.D. in London in 1968. Under his elder brother he spent several years at the SPO, and later in the private sector before moving to Washington and tse IFC in 1979 until his recall earlier this year.

One of Mr Ozal's tasks will be to build up the SPO to the eminence it enjoyed a decade ago. Political in-fighting during the 1970s has depleted its ranks of top-level economic experts forking on individual sectors. A second and less definable goal is probably to turn the SPO—originally set up along dirigiste and etatist lines—into a reliable instrument for charting the growth of the Turkish economy in the free market era.

It is too early to say whetser the latest Ozal on the scene in Turkey has long-term ambitions of his own. Since his return to the country, he has kept a low profile in the national press.

On the other hand, in a country where family ties are all important he now definitely ranks as a potential successor some day to his older brother.

Aspects of Turkish industry: (left), part of a 20-tons-a-day staple fibre line, built by Davy McKee's Frankfurt subsidiary, Zimmer, for Filament S.A. in the town of Bursa. In the last five years, Davy McKee has built eleven fibre plants in the town for various clients. Right: pharmaceutical units being checked at Pfizer's factory at Ortaköy. The plant produces 70,000-75,000 units of Proupen a day

Pushing ahead with geothermal station despite protests

Energy

STEPHANIE GRAY

TURKEY, WHOSE neighbours have rich oil fields, has to import all but about 15 per cent of the crude oil it uses. The cost to the balance of payments is heavy, with crude oil accounting for about 40 per cent of all imports.

Its own production is limited to about 2.5 tons a year, the bulk of it from Shell, which has been operating in the country for 60 years, and from TPAO, the state oil company.

Many of Turkey's oilfields are well pasta their prime, however, and a concerted effort has been made to increase western oil exploration.

This drive has been supoprted by the Petroleum Law of March 1983 which allows foreign partners in production sharing ventures to export 35 per cent of onshore and 45 per cent of offshore output. It also provides a ceiling on taxes of 55 per cent of corporate profits and a 12½ per cent royalty.

As a result, Amoco has taken a farm-out agreement in the south-east Hakkari region. The Swedish company Salen is drilling off Iskanderun. Mobil and Shell have started exploration again and Esso and Atlantic Richfield are both taking a closer look at the prospects. Huffco of the U.S. has been the most active, spending $45m in

Of the foreign companies, Turkey since it started operating there in 1981. It has drilled two wells this year, neither of which have produced commercial hydrocarbons, and is in the process of drilling a third.

TPAO is drilling 47 wells this year concentrating on the Gomberlitas area where a field discovered last year is producing 2,500 barrels a day from four wells.

In spite of all the new activity, it is far from certain that exploration will yield serious results. Fractured formations in the south-east where the prospecting is concentrated, is believed by some experts to be unlikely to reveal anything more than a series of amall fields.

At present, the foreign companies are taking great interest in a secondary recovery project at Bati Raman, the country's biggest oilfield, where primary recovery is expected to yield 1.8bn barrels, only 1.5 per cent of the fields.

The World Bank has put up $62m for a carbon dioxide injection programmes, which, by increasing pressure and fluidity, is expected to ensure recovery of a further 15-20 per cent.

Overall, though, the picture for natural gasis more encouraging. Reserves in Thrace are estimated at 12.8bn cubic metres and there are plans to build gas turbines which could produce enough electricity to replace the 1.8bn kilowatt hours Turkey buys each year from the Soviet Union and Bulgaria.

A Soviet gas pipeline through Bulgaria to Istanbul, due to be in operation by 1987, is expected to connect with feeder lines from the Thrace fields.

Nuclear options aside, however, Turkey over the long term will have to look mainly to its thermal and hydroelectric generatting potential to meet the 160bn kwh demand forecast for the year 2000.

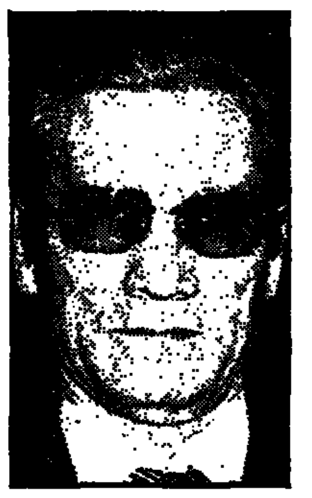
Thermal power

In the field of thermal power generation, one long-delayed advance in 1983 was the commissioning, five and a half years late, of the first of four 350 Mw units under construction at the Afsin - Elbistan lignite - fired station.

A further 1,470 Mw generating capacity will become available when seven lignite-fuelled power plants at Mugla are completed, while four units in central Anatolia will provide 660 Mw with additional power coming from eight smaller plants, of Polish design, at various sites around the country.

A 150 Mw plant at Yenice-Catalagzi, using a coal mixture, is also due to start up in 1986, and a four-by-100 Mw combined cycyle steam/gas plant is planned.

The most controversial project at the moment is the Government's plan to build a geothermal power station in



Mr Cemal Buyukbas, Energy Minister

one of Turkey's most beautiful spots, at Gokova Bay, close to lignite reserves.

The high sulphur contest of lignite causes appalling pollution as evidence, especially in Ankara and the protest from wealthy holiday home owners and villagers has been unprecedented.

Nevertheless, Mr Cemal Buyukbas, the Energy Minister, who believes that tourism and environmental issues are a luxury for Turkey, is pledged to press on with the project. He has even claimed that marine life will be enhanced, presumably as a result of the warm water the plant will emit.

The Government has secured $1bn in foreign credits towards the cost of its $2.4bn thermal power plant construction programme but the plants will require a four-fold increase in lignite production from the present 20m tonnes a year, which present mining projects will only double.

One of the largest foreign credit packages arranged for the public sector this year is a $217m loan for the purchase of U.S. equipment for four lignite mines.

Prospects for hard coal production look even less encouraging. The workforce has doubled inthe past 10 years but output since 1976 has fallen by 40 per cent to 3.8m tonnes in 1983.

If oil exploration is a bit like playing roulette in Las Vegas and lignite production does little to fire the imagination, the Ataturk hydro dam on the Euphrates is the stuff that Turkish dreams are made of.

It is one of 13 state hydroelectric plants either under construction or planned with an eventual output of 6,071 Mw.

While its significance has mainly to do with irrigation the scheme is expected to double agricultural output—it will produce 2,400Mw.

The $2bn dam is the country's most important exercise in public works. There is some scepticism about how quickly the project will be completed but the government still expects the first 300Mw generator in 1991, with the other seven following at five-monthly intervals.

The award of the contract to a group of three small Turkish companies, led by Palet Insaat of Istanbul, also raised a few eyebrows. No one has openly challenged the winners' expertise but some observers wonder whether they have the poltical clout to keep finance flowing if the economy runs into trouble.

Difficult issues

The Ataturk dam has raised some difficult diplomatic issues with Iraq and Syria which rely on the Euphrates for their food. Turkey has assured Isaq of a regular flow of at least 500 cubic metres a second, but it is unclear whether the assurance has been accepted by either country.

Upstream of the Ataturk site, the Keban dam, which started up in 1974, has been more than doubled in capacity to 1,360Mw. There are reports from the east, however, that the dam has been leaking and power supply has been rotated among the nearby plants.

The Karakaya dam, delayed for three years in the late 1970s because of foreign exchange shortages, is expected to be completed in 1986.

Tven with 13 extra plants on the drawing board, Turkey will be tapping only 10 to 12 per cent of its hydro capacity. It could do with a further 250 such plants to realise the full potential of its many rivers.

The building of Turkey's first nuclear reactor

Stiff new terms shock bidders

TURKEY'S FIRST ever nuclear reactor, to be built at Akkuyu on the Mediterranean coast, is something of a bad joke in Ankara, certainly among officials of Kraftwerke Union of West Germany and Atomic Energy of Canada, the two main companies bidding for the contract.

Both companies have been negotiating with Ankara for the last 18 months. Westinghouse and several other companies rejoined the race in September when Mr Turgut Ozal, the Prime Minister, issued a completely different set of rules, despite letters of intent having been sent to KWU, AECL and General Electric of the U.S. (which dropped out earlier this year).

Mr Ozal's stiff new terms shocked the bidders. They had been sending delegates in every two weeks to lobby their cause. Both had come up with export credit offers of between $500m and $550m.

Suddenly, the game changed. The winning group is now required to shoulder all the financing—about $1.5bn—and to operate the plant for 15 years before handing it over to the Government.

The two main players began to have second thoughts about Turkey, suspecting that Ankara was either stalling unecessarily or that it might have raised the stakes impossibly high deliberately, having decided after all that the country could not afford to go nuclear.

They insisted that theirs was no longer a buyer's market. World demand is picking up, they claimed and Turkey was not the only potential client around.

Nevertheless, the resubmitted proposals and, since the deadline passed on November 30, have been waiting for the Government's decision. Having expected a deal to be signed last June, they may now have to wait up to another six months. Indeed, to begin with, three nuclear contracts were contemplated, two at Akkuyu and one at Sinop on the Black Sea.

The Government's determination to get the best deal possible on the one remaining plant has led one Istanbul lobbyist to allege that one company's proposals may have been disclosed to the other group involved and that a modified proposal might be agreed after the deadline. The practice, he says, is both unethical and against procedures set out for such bids.

Determination

Still, as one diplomat put it, the procedure is "probably the best feasibility study Turkey could hope to have."

It remains unclear whether the Turks want one 600 Mw reactor, two of this size, or one large one. A choice of one or two small reactors would favour the Canadian bid with their classical heavy water variety. One large one would favour KWU's pressurised water reactor.

What is clear, though, is that if electricity demand continues to increase at the present rate, Turkey wil lneed to produce at least 160bn kilowatt hours a year by the end of the century. Last year production was 29bn kwh.

Advocates of nuclear power argue that matters of national security are at stake in view of Turkey's imports from the Soviet Union and Bulgaria of about 1.8bn kwh a year.

The Greeks, on the other hand, are keeping a wary eye on Turkish plans. Although the Turks are signatories to International Atomic Energy Authority safeguards, Athens is bound to raise objections as a matter of principle.

Stephanie Gray

TURKEY — Trade and Industry 8

Balance is still in favour of employers

Trade Unions

FRANCIS GHILES

TWO MINOR changes have been made in the rules which, since the military takeover in 1980, have governed trades unions and employers:

Since October 31 the unions no longer have to seek permission from the martial law authorities before starting a strike; and, second, the employers no longer need official permission if they want to lay off workers. Collective bargaining was officially reinstituted in December 1983 though it did not resume until May 1984.

These and other changes—not to mention the first strikes since 1980—bear witness to some significant changes in Turkey's political life during the past 12 months. They do not, however, alter the fact that the balance between worker and employer which tilted so radically in favour of the latter after the 1980 coup still makes union activities very difficult to pursue.

The trial of the Left-wing trade union Disk continues with no end in sight: all the defendants were, however, released from prison in the middle September after four years in jail during which their leaders were tortured.

New legislation

International labour organisations have maintained their interest in and criticism of official policies on labour in Turkey: the conditions under which the Disk trial is carried out, the very restrictive provisions of the new labour legislation and the maintaining of martial law in many provinces, all these are targets for criticism.

The International Labour Organisation set two missions to Turkey, the International Confederation of Free Trade Unions one—the latter playing a very active role, notably in the support it provides for its Turkish affiliate, Turk-Is, the moderate confederation under whose umbrella most union activity was concentrated until this year.

Turk-Is represents 82 per cent of union members, retaining the dominant position in the country's trade union movement it has since it was founded in 1952. However, the religious confederation, Hak-Is, which has more than 7 per cent of union members displayed much activity in the run-up to the resumption of collective bargaining.

Two independent unions and the Right-wing nationalist workers confederation Misk, *which was closed after the* 1980 coup and was allowed to resume activities last May, also were very active.

This year will have been marked, above all else, by the return to collective bargaining: *the delay between the reinstituting* of such bargaining and its actual resumption was caused by the confusion and delay in issuing authorisations to bargain.

The 1983 law does not set any numerical criteria for the establishment of a union but the collective bargaining law requires that to be allowed to negotiate an agreement, a union must prove that it has at least 10 per cent of the workers on the shop floor of a branch and at least 50 per cent of all the workers in the workplace. Statistics issued by the Ministry of Labour constitute the basis from which decisions are made and they are issued every six months.

The first statistics issued in February suggested that 55.2 per cent of the 2.3m employees eligible belonged to one of 91 unions, with Turk-Is in a dominant position.

An outcry of protest greeted these statistics as Turk-Is and many independent unions claimed their membership greatly exceeded that shown by official figures. Many unions appealed, and Ministry officials acknowledged "inaccuracies" in the statistics.

Statistics issued in July suggested that 56 per cent of all workers in industry were affiliated to a union. Unions today claim that the situation is still chaotic where bergaining eligibility is concerned and that long delays are still being experienced in the resumption of collective bargaining. The president of Turk-Is, Mr Sevket Yilmaz, does not mince his words and is not shy of proclaiming that the road ahead will be a difficult one.

Major challenge

The resumption of collective bargaining represented a major challenge to the Ozal administration. Earlier in the year, the Supreme Administration Board, the tripartite government-dominated body which since 1980 had decided the terms of labour contracts, continued to decide wage increases for 1984 for workers whose contracts do not expire until 1985.

They were granted 25 per cent plus Turkish Lira 2,000, certainly not enough to maintain their purchasing power in the year during which inflation will have reached about 50 per cent. The government's strategy to hold down wage increases was to get the public sector to set the example: settlements of between 25 and 35 per cent have been made in many state companies; the whole exercise being co-ordinated by the Public Sector Co-ordinating Board.

In cases where no agreement was reached, the Supreme Arbitration Board which had held sway over all settlements in 1981-83 decided the terms of the agreement and often banned strikes in that sector as well; the coal and petroleum industries are good examples.

The example set by the state was expected to pave the way for "moderate" private sector settlements. Tight money, high interest rates and competition were also expected to dampen employers' "generosity."

Nonetheless, settlements in the private sector have often been around 50 per cent, in some cases higher. Well-run companies doing good business were often generous and the metal and chemical industrial workers did well. So did the textile unions though the salary base from which they started was often low.

Agreements often ran for two years, such as that reached with Turk Metal where employees got increases of 64 per cent in 1984 and 35 per cent in 1985: how the workers will react if the inflation rate reaches 50 per cent next year is an open, but interesting question. In the textile industry the increase in wages for the lowest paid works out at 115 per cent over two years.

The first strikes to come in the wake of the collective bargaining began last October in the Tuzla area of Istanbul, in the Turk-Is Dok Gemi-Is shipbuilders union. Widespread strikes have not developed, however, and are not expected during the winter. Future developments hinge heavily on the government's success in bringing down inflation in 1985.

Reinstallation

Most of the criticism coming from international labour organisations is aimed at the trials of Disk and its affiliates—more than 2,000 people are on trial. Morale has, however, been boosted by Turk-Is' reinstallation at the International Confederation of Free Trade Unions.

The suspension was imposed after Mr Sadik Side, its general secretary, became Social Security Minister in September 1980. It was lifted after he was suspended from his union post, but after he left the government, his union voted him back as general secretary.

Disk, meanwhile, is encouraging its former members to join Turk-Is and radicalises it. That seems a most unlikely outcome in the immediate future and few employers express any fear about this.

Meanwhile Turk-Is accuses employers of helping Hak-Is which boasts what many Turks consider to be an extraordinary number of members, over 100,000. Its membership in 1980 was estimated to be 10,000 and increased, at least according to Ministry of Labour statistics, from 70,000 to 100,000 between February and July 1984 alone.

Official social security figures suggest that Turkey's workforce has witnessed a decline in income of 40 per cent since 1980. That figure may well be on the high side but wages have slipped. But workers on building sites do often receive as little as Turkish Lira 1,000 a day. And cheap labour is one of the main carrots the authorities offer to foreign investors.

Unemployment in Turkey is officially estimated at just under 20 per cent, a figure which would be higher if seasonally-unemployed workers were added. The dimensions of the problem were somewhat clouded when the Government modified the formula for estimating labour surpluses this year.

What is beyond doubt is that the standard of living of many Turks has declined since 1980 and that unions are still tied—maybe not hand and foot as after the coup, but nonetheless in a manner which still allows little room for manoeuvre.

Unskilled labour remains plentiful and cheap. Labour relations were chaotic before 1980, today they are slowly coming out of limbo after four years of institutional freezing.

How they develop over the next 12 months will certainly be followed keenly both in Turkey and abroad: they will provide a useful yardstick to how successful—or not—Mr Ozal's policies are.

Mr Sevket Yilmaz (standing left), President of Turk Is, has made his peace with the ICFTU, but coming to terms with Mr Halit Narin (right), President of the Employers' Confederation, may be less easy

Incentives lead to shipping expansion

Transport

STEPHANIE GRAY

Whence on the sea's horizons comes that roar?
Can it be Barbarossa now returning . . .
Coming from lands the rising Crescent lights:
O blessed ships, from what seas are ye come?
Yahya Kemal

BEFORE 1980, the great admiral Barbarossa was probably turning in his grave at the thought of the decline of Turkish seafaring. That roar of ships had become a whisper, despite Turkey being bounded by the Black Sea, the Mediterranean, the Aegean and the Bosphorus.

For years, the Turkish flag fleet had remained fairly constant with the bulk of the vessels controlled by a top heavy state shipping company. The fleet was carrying less than a quarter of the freight passing through Turkish ports.

Generous incentives introduced by the new military government in 1980 changed all that. They set off a private sector buying spree for second-hand ships. As a result the fleet has grown to 687 vessels totalling 4m deadweight tons—twice its 1980 size. Last year alone, saw growth of some 18.6 per cent.

For one top official, the development has been "the most exciting development in the entire transport sector."

The expansion was intended to reduce the foreign exchange outgoings on shipment of national imports and exports, the cumulative drain on reserves having been put as high as $1bn. *Despite the increase* in tonnage under the Turkish flag, though, the foreign vessel share is still high and the Government's target of carrying 60 per cent of local cargoes is a long way from being realised.

As 90 per cent of the country's foreign trade moves by sea, Ankara's anxiety is understandable.

Another worry, according to one Istanbul official, is that almost half of Turkey's ships are more than 15 years old, the limit beyond which they can be excluded from some Middle East ports.

Despite the problems the war in the Gulf has bolstered shipping in much the same way as it has the land transport companies.

Transit *traffic through* Turkish ports has increased sharply and the trade with Iran and Iraq alone is estimated to be generating about $500m a yearr. From a very low base, investment in the transport sector rose by 40 per cent in the three years to the end of 1983.

The strong upsurge in business, however, imposed severe strains on the industry as demand outstretched capacity. For a time last year, the gilt seemed in danger of being wiped off the gingerbread.

Congestion and exhorbitant warehousing charges at Black Sea and Mediterranean ports *forced many smaller trucking* companies to abandon cargoes on the dockside. Complex bureaucratic procedures added to the frustration at ports and southern border crossing points.

"Twenty-eight forms had to be filled on the borders," says Miss Perran Ersu of Zihni, one of Turkey's leading shipping and transport groups.

If the documents were faulty, the drivers faced enormous trouble at their destinations, especially when confronted with papers in Farsi and Arabic.

The Government was forced to take emergency measures to free the snarl-ups. It allowed truckers to remove their cargo free of charge—payment to be made later. Daily warehousing charges subsequently were brought down to a reasonable level and red tape cut to only two or three documents.

Now that the crisis has been resolved, the country's 648 transport companies can concentrate on *their more traditional* difficulties of operating in Iran and Iraq. For obvious reasons, most of their TIR traffic returns empty. Some drivers, however, have recently started using inflatable tanks for the transport of fuel oil.

Truckers still face lengthy delays in Baghdad but elsewhere the bottlenecks are mainly caused by seasonal peaks and religious holidays.

Disturbing note

On a more disturbing note, drivers have occasionally been asked by the military of both sides to deliver loads of food to the front line. Whether by the goodness of their hearts or by prudence, they usually *oblige*.

Despite the difficulties, the boom in transit trade has been more than justified and the prediction is that by the time the Gulf war ends, Turkey will be well established as the cheapest route to Iran and Iraq from Europe.

With this in mind, and given that the vast majority of traffic within Turkey is by road, the Government is taking steps to consolidate the transit routes by making infrastructural improvements outlined in the 1982 Transport Master Plan, covering 10 years and costing an estimated $15bn.

Early this year, agreement was reached with Iraq for a second bridge across the Khabur river and studies for a rail link have been commissioned. The E-5 highway between Kapikule and Iskenderun via Istanbul and Ankara is being upgraded to a dual carriageway. Another part of the project involves improving links between Iskenderun and the Syrian and Iraqi borders. The route from Gedere to the Iranian border, by-passing Ankara, is also to be upgraded.

A long-dreampt of rail tunnel under *the Bosphorus to be* connected to the proposed Istanbul metro received U.S. backing in February. The tunnel will cost an estimated $550m and related railway and city metro work a further $450m.

Last year, the British company Freeman Fox won the $6m design contract for the second Bosphorus Bridge. The existing one—in which shares earlier this month—was design earlier this month — was designed by the company 10 years ago and suffers heavy congestion in peak hours. Both Freeman Fox and Trafalgar House, another British company, are bidding to build the bridge.

It will join the Eastern Trans-European motorway, a 6,200-mile project linking Gdansk on the Baltic with the Caspian and the Gulf. One-third of it would be in Turkey, eventually costing more than $7bn. It would share the Istanbul-Ankara route and then split into two branches, one to Tehran and the other to Baghdad.

Work on the railways gets nothing like the attention *afforded to the road network* and progress on a new and more direct line between Ankara and Istanbul, cutting 100 miles off the present route has been desperately slow. When work started in 1975, the line was set to cost TL 12bn ($33.24m). It is now expected to cost more than TL 200bn by the time it is completed around the year 2000.

The line is expected to quintuple capacity and eliminate a bottleneck which causes goods tospend up to a month in transit through Turkey.

Apart from transit trade, Turkey needs a modern rail system to serve its expanding industries. But the railways' share of the transport budget continues to lag seriously behind the sum allocated for the highway network, and, in the east of the country, 300 steam locomotives have been brought back into service since the 1973 oil crisis.

Privatisation

Turkey's air transport, however, has not lacked for attention, especially since news of the privatisation of the national flag carrier, Turkish Airlines (THY) in September and the announcement the following month of the purchase of seven Airbus A310-200s.

After some hard lobbying by such names as Herr Franz Joseph Strauss and Mr Alexander Haig, the Airbus victory against fierce competition from Boeing was taken in Ankara as a sign that the Government was tilting back towards Europe and away from sole reliance on the U.S.

The thaw, however, was short lived. Last month Turkey failed to obtain the necessary consensus of Western European governments to take over the presidency of the Council of Europe, an incident that caused a great deal of anger in the country.

The aircraft will join THY's fleet of 30 aircraft, mostly medium haul DC9s and Boeing 727s which service 26 foreign destinations and 16 internal ones.

Like most important state economic enterprises, Turkish Airlines has been a serious burden on the Treasury. Last year, however, although its internal routes lost TL30m, the airline made an overall profit of nearly twice that amount, mostly on profitable routes to West Germany.

The Government's aim in privatising THY was to make it more profitable and improve the quality of its service. If privatisation has the desired effect, man yof its users feel that it will not be before time.

PROFILE: MARTI SHIPPING

BY STEPHANIE GRAY

A case of getting the timing right

FIVE *years ago*, the partners of Marti Shipping were operating with a borrowed telex and telephones in a small borrowed room near the Galata Bridge on the Bosphorus. They were paying themselves salaries of £10 a month.

Since then, despite the worldwide shipping slump, they have earned $100m in foreign exchange for Turkey, bought six ships and a fleet of 40 Daf trucks. As charterers and agents, they handle 1,000 ships a year and employ 235 people.

Next, they plan to enter the tourism industry; building a $1.5m five-star hotel on land they have bought on the Mediterranean coast in Antalya.

Their wood-panelled offices on two floors five minutes away from where they started boasts paintings of their small fleet, each ship classically named after one of the owners' children. The place is alive with the cacophony of long-distance telephone calls and the blast of ship-to-shore radio.

In the uncertain days of 1980, the five had clearly received the right signals. Two months after they had installed themselves in the borrowed room, they had fixed enough cargo for the unpaid landlord's vessels to be able to lease it. Five months later, they expanded from chartering into agency work.

After the military takeover, the market, having for years been the almost exclusive preserve of the state, was liberalised.

Budding ship owners were encouraged with cheap central bank credits, freedom from Customs duties and 30 per cent tax reductions. A school chum of one of the partners, in his role as a bank manager, was prepared to put up 90 per cent of the $1.8m finance for the company's first purchase—a 2,200 dwt (dead weight tonnage) refrigerated vessel.

"We didn't have a penny," says Mr Rifat Karacimseli, the director in charge of the agency and trucking side. "We had no guarantees. We were financed by belief."

Their bank manager was lucky—after the upsurge in ship buying, a number of others got slightly singed.

When the export boom took off in 1981, so did Marti. Its big breakthrough come with a Government contract to transport *110,000 tons of iron* ore from Saldanha Bay in South Africa to the Black Sea.

There had been some anxious days. "We didn't have enough guarantee to get the contract," says Mr Karacimseli. Again their shipowner patron came to the rescue and Marti made $250,000 out of the deal.

As the company's income increased, the price of second-hand ships on the world market declined. Marti's second *dry cargo* vessel was bought for cash.

The mainstay of its trade became the transport of cement, mostly to Algeria, Egypt and Libya.

Early last year, the company started in land transport, its truck fleet ferrying everything from rice to steel pipe from Turkish ports to Iran.

"We now do $6m-$7m of business with Iran a year."

Mr Karacimseli is unwilling to disclose the company's profits but its turnover amounts to about $25m a year. He admits, *though that the* company does not make much from its own vessels and relies on trucking, agency and charter profits to close the gap.

Still, in five years, Marti has opened offices in four Turkish ports as well as Ankara. It also has representatives in Copenhagen, Antwerp, Tehran and Algiers.

With its venture into tourism, another top government priority, the company might just have got the timing right again.

Working on fresh image at top end of market

Textiles

FRANCIS GHILES

TURKISH TEXTILE exporters look set to break another record this year as the value of exports for this sector rises to an estimated $1.5bn. Last year that figure was $1.2bn.

In five years exports of textiles have increased fourfold. Last year the sector was the major contributor (20.9 per cent) to Turkey's export earnings.

The contribution is also important where employment is concerned as about one Turkish worker out of five depends on the textile and clothing business for a job.

Progress overall has been erratic, not least because of the difficulty exporters face in EEC markets where quotas and bans are frequent. This year, however, appears to have been devoid of any major rows. Exporters meanwhile have been prospecting new markets, not least in Eastern Europe and some firms are now exporting to Bulgaria.

The Middle East remains a major customer and Turkish firms are getting to know the needs of their different partners better. Turkey has the great advantage of having a good raw materials base. Cotton in the south, in the Cukorova plain around Adana and Mersin, wool and silk. It also produces some synthetic fibres while others are imported. Further local capacity will be provided after the opening of the country's second petrochemical complex in Izmir next year.

Exports of textiles and clothing to the EEC could be in excess of $1bn according to some Turkish manufacturers, were it not for quotas. Meanwhile, with Middle Eastern countries, large swap agreements have bartered oil for textiles and other goods. However, some countries in that area are less receptive today as their income has fallen sharply as a result of the decline in the price of oil.

Meanwhile at the quality end of the market, new developments are taking place which will, in time, change the image of Turkey as a mass producer of cheap cotton yarn and garments. Two companies, Vakko and Altinyildiz are producing stylish clothes of a quality which it was not possible to purchase in shops until recently.

The latter of the two, founded in 1952, is a diversified group, but textiles was an activity all the founders were well acquainted with.

In 1970 the group's first ready to wear subsidiary was set up under the brand name of Beyman and, in 1978, a new company, Alboy, was started to produce shoes and handbags.

Classical clothing

Other activities include the exporting of mohair. The company's major factory outside Istanbul has fully integrated production starting from raw wool and mohair to tops, yarns and fabrics. Clothes in the Beymen factory, which include classical clothing and the "Beyman Club" for younger people, are exported as well as sold on the domestic market.

Clothes are sold in many European countries, generally through wholesalers, though in Belgium Beymen has its own boutique. In New York its clothes are sold at Saks. In the UK, C and A stocks some of Beymen's garments. Beymen has also begun exporting to the Middle East, notably Libya and Iraq. All in all about 60 per cent of the clothes the company makes are exported and that will be worth $5-6 this year.

The company promotes its clothes through 15 shops in Turkey some of which boast coffee lounges, fashion shows and a free hand out glossy magazine, "Status."

The group also has a chain of popular Carsi clothing shops —rather reminiscent of the style of Miss Selfridge. Clothes here are often sold cheaper at the end of the season or on foreign markets. Some 60 per cent of all the garments sold are produced outside the group's factories and all are marketed through Karat in Turkey and Alticom, in Switzerland, for foreign sales.

Vakko, the company founded and owned by Vitali Hakko, is at the top end of the Turkish market. Founded in 1946, it owns its one and only factory near Instanbul's international airport. This is a modern building decorated with paintings and sculptures, notably one by Rahmi Eyuboglu in front of the main gate. Burhan Dogancay whose mosaics will soon adorn the New York underground has composed some fine panels in the entrance and canteen.

Vitali Hakko himself, a spritely silver-haired man, receives his visitors in a black marbled room.

Vakko makes ready-to-wear clothing, scarves (painted and printed silk is a speciality), upholstery, curtains, leather garments, luggage and hand-made flowers. Fine chocolates complete the list, in what may seem an odd way, but they sell very well and are part of the "small gifts" sold in the company's shops. The group's total turnover amounted to TL 8bn ($22m) this year.

Only 600 people work at the factory and Vakko only has one boutique abroad, that in Vienna. However, the company is involved with some of the great names in fashion design, such as Cerruti, Daniel Hechter and Pancaldi. It has taken fashion shows around Europe (Espace Cardin in Paris, the Dorchester in London, etc) which puts it in the league of high fashion. Inspiration is provided here by Turkish history, whose costumes and carpets, from the Hittites to the Ottomans offer a multitude of designs and ideas which can be adapted to modern clothes.

Plant at the Bozkurt textile factory. Turkey's textile industry is one of the largest and most competitive in the Mediterranean area

Vitali Hakko himself has a rich collection of traditional Turkish cloth and embroidery. Vakko opened the first ready to wear shop in Instanbul in 1963. The company sells its clothes also through exclusive agreements with other stores. The clothes are stylish and—by Turkish standards—expensive.

To build up its image further Vakko has just opened a Vakkorama in the basement of the Etap-Marmara Hotel, on Taksim Square, the hub of Istanbul. Here you can indulge in aerobics and yoga, watch fashion shows while sipping coffee and buy clothes and other presents.

The mass market is not the aim, rather that few per cent of the population that can offord such clothes. However, in the absence of any school of fashion, both Vakka and Beymen have a very important role to play if Turkey's garments industry is to graduate one day into a flourishing clothing industry, especially on the export front.

Over and above such companies as Vakka and Beymen are the exclusive designers and anyone who has been able to cast a glance at the clothes designed by Vural Gokcayli will know what it feels like to enter a temple of luxury and fine taste.

M Gokcayli makes clothes essentially for the Turkish market but his foreign clients, who get accustomed to buying from him while resident in Turkey, often travel back to Istanbul when they have to move back home. After all, if haute couture clothes can be found in Turkey, and cheaper than in Europe, why hesitate?

Vitality

Lower down the ladder from Vakko and Beymen are many smaller firms and designers, whose vitality is testified by the many boutiques which have sprung up, especially in Istanbul in recent years.

They may not represent a large volume of business but in the clothes trades, quality and style are vital ingredients for any country which wishes to promote its name in the longer term.

Jeans and underwear, cheap school uniforms and trousers are fine—and indeed the Turks are very good at copying new European styles quickly. They make such garments en masse and are prone to drowning the European market without warning: witness the 9.3m units of T-shirts sold during the first four months of 1982, which prompted an EEC ban for the rest of that year.

In many ways it comes as a surprise for the first time visitor to find shops and boutiques in Istanbul displaying the quality of goods they do. Turks undoubtedly have a flair for clothes and the effort some companies are putting into designing clothes and accessories will serve the Turkish leather and textile sector well in the years ahead.

Meanwhile, carpet making continues recovering after a rather depressed period in the early 1970s. That trade still employs thousands of people, and the weaving of carpets tens of thousands in different regions of Turkey.

The first international conference on carpets was held in Istanbul earlier this autumn—again a proof that better organisation and marketing could open the door to more exports.

When it comes to purchasing a carpet, however, nothing will ever be able to replace the long —and for some frustrating— experience of bargaining in the Grand Bazaar. The marketing techniques here are as old as the city—but the quality of the product is what still makes a Kilim or a Kayseri carpet a treasured object.

Greater emphasis on modernisation

Technology

DAVID BARCHARD

THE 1980 turnaround in Turkey's economic strategy is generating a shift in technological attitudes in industry whose the full effects may take many years to work out.

"We are already feeling the change-over in the department here," says Professor Ibrahim Kavrakoglu at the Department of Industrial Technology and the Bosphorus University in Istanbul. "Nowadays instead of the old inquiries about production levels, we get proposals about quality control, cost control, productivity, standardisation, and managerial training. It's all a sign of the competitive environment that industry now feels itself to be in."

The development of technology in Turkey since World War II has been rapid but uneven. Until 1980, it was basically shaped by the emphasis of successive governments on import substitution. "We tended to choose the most easily accessible technology rather than the most appropriate one," Professor Kavrakoglu says.

Nevertheless the generation after 1963 in which most private sector industry sprang up saw the installation of modern plant in sectors as diverse as gear and transmission systems manufacture, aluminium, tyres, military electronics, textiles and foodstuffs.

The changes were followed by the emergence of engineers, skilled workers, and scientists —more or less a new generation. Universities such as Bosphorus, and the Middle East Technical University began to turn out large numbers of qualified graduates, many of whom proved to be professionally competent in international as well as local job markets.

Breakage rates

Despite some difficulties in the first generation—especially it seems in some state-owned textiles companies where breakage rates reputedly run well above typical European averages—rural Turks turn into good skilled and semi-skilled workers.

"I'm very satisfied with the way our locally-recruited employees have turned out," reports the foreign manager of a bottling plant which recently opened in a remote rural district. "I've handled this sort of operation several times in the Middle East and this has been by far the easiest."

Despite the existence of the technical universities, the major industrial groups seem to believe basically in training their own people and relations between industry and the universities are probably less close today than they were a few years back.

Despite this, about 70 per cent of Turkish research and development is still done in the universities, and much of the remainder which is done by industry comes from the state sector. Turkey's spending on R & D is only 0.23 per cent of the national income, about a tenth of the percentage of most industrialised western countries.

This largely reflects the easy market conditions which Turkish industry faced before 1980, which gave it little or no incentive to modernise. Industry could live with relatively high costs, at least for a time, particularly as long as energy imputs were underpriced.

In the longer run, however, questions of scale—especially in some of the basic metal industries—have begun to assert themselves. Finding the domestic market too small to absorb the capacity available, Turkish producers have begun to turn to world markets.

Professor Kavrakoglu sees adaptation of existing technology to local industrial conditions, rather than innovation, as being the most immediate priority for Turkish industry.

Simple training

"The first requirement is simply training young engineers in English so that they can read worldwide published materials and absorb existing knowledge. I don't think we want too much specialisation but rather a broad spectrum of knowledge."

A few Turkish businesses are already beginning to find that a small effort on the research and development side can lead to fairly easy quality improvements and cost reduction.

Only a few of Turkey's top 30 industrial groups at present devote much effort to R & D however; Koc, Turkey's first and largest group being a notable exception with its R & D department.

"Very few firms really have the critical mass to set up their own R & D departments," says Professor Kavrakoglu. He believes that the major groups would be well advised to pool their resources and perhaps should be thinking about setting up a forecasting institution. In the past the State Planning Organisation with its five-year plans has performed something like this function but its guidelines have often not been closely adhered to.

"I don't agree with the debate in Turkey about labour-intensive technology," says Professor Kavrakoglu. "We have reached a point where high productivity is more important, otherwise you will simply have increasing production costs and a downward spiral in employment."

There needs to be a review of Turkey's requirements in different industries and sectors. While Turkish technology is strongest in textiles and relatively strong in consumer durables, it is much less well equipped in the machinery and metals industries and in pharmaceuticals.

The market forces unleashed by Mr Ozal in 1980 are bringing changes and long-term strategic planning may have undergone a qualitative change —provided the free market orientation continues.

"For example," Mr Kavrakoglu says, "a large-scale automotive industry is now feasible in Turkey. We can be unrestricted in provision of technologies." For that, however, decisions will rest with investors.

Once neglected farming sector is given priority status

Imports will improve competitiveness

Food industries

STEPHANIE GRAY

LONG BEFORE Yasar Holdings, one of Turkey's biggest groups, started construction of its dairy factory near Izmir, Mr Ayhan Oner (who was to become the plant's manager) made a point of regularly visiting farmers in dozens of nearby villages.

He wanted to convince them to build up their dairy herds, lay the foundations for good quality raw material and find out what they saw as their main problems.

It was not an easy task. The farmers, who were running only a few cows to provide for family needs, were highly suspicious of Mr Oner's promise that Yasar would offer a price for their milk that was three times the going rate. Neither did they quite believe that the new plant would have an astronomical 200 tons a day capacity — the state-owned factory was running at only 15 tons a day.

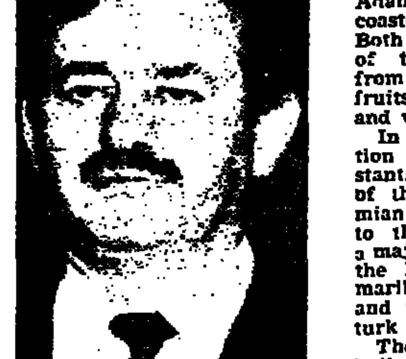
The company put the pledges in writing. They were promptly framed and hung on the walls of village cafes.

Collection points

At the same time, Yasar went about solving the farmers' main difficulties — the delivery of good quality feed and the establishment of milk collection points.

The company, having realised in the 1970s that the Turkish boom based on import substitution was bound to run into severe balance of payments problems, made an all-out effort in agriculture-based industries. It provided the farmers with just about everything they needed.

Under the brand-name Pinar, it now produces UHT milk, milk powder, cheeses and yoghurt at the factory. Its products are staple items both in the Turkish grocer's shop and in countries in the Gulf.



Mr Husnu Dogan, Minister of Agriculture and Rural Affairs, is presiding over a bid to launch new agrobusinesses

While far from dissatisfied with their lot, the farmers started arguing that, if their herds were to grow, they needed a market for the bulls. Not for them the disaster of the classic Turkish tale of the trader who set out to make a small fortune by marching his turkeys more than 100 miles to Ankara where he could be sure of a good price.

By the time the flock reached Ankara, those birds that had not been eaten along the way, were too frail and skinny to fetch much money.

According to Mr Oner, the meat processing plant that the company is set to open next month — producing sausages, Turkish salami and regular cuts of meat—is the direct result of demand from the villagers.

Yasar's enterprise has been followed in varying degrees by other Turkish groups who have been encouraged by the Government's investment incentives. These include 100 per cent tax reductions on investment, 100 per cent Customs duty exemption for machinery and medium-term credit at around 32 per cent—very low for Turkey where the average is more like 70 per cent.

Despite its enormous potential, and Mustafa Kemal Ataturk's policy of keeping people on the land, agriculture has long been neglected and slums have sprung up around the big cities as the peasants migrated.

By the time Mr Turgut Ozal took office last year, the Ziraat (Agricultural) Bank, responsible for suuplying credit to farms, was on the point of turning into an industrial-bank.

Since 1983, however, Mr Husnu Dogan, a key Ozal lieutenant, has ben placed at the helm in the Ministry of Agriculture and the sector has become a priority.

If industrialisation had not been so fashionable, the arguments in favour of agriculture would have been taken on board a long time ago.

Turkey is one of fewer than 10 countries in the world that are self-sufficient in food. After the Soviet Union and France, it has the largest acreage of arable land—69m acres—in Europe.

The two best-endowed areas are the Cukurova plain around Adana in the south-east and the coastol plains of the Aegan. Both areas grow a wide variety of traditional crops ranging from cotton to olive oil, citrus fruits, sunflower seeds, sultanas and vegetables.

In both these areas, irrigation schemes have made substantial progress. By the end of the century, the Mesopotamian plain wil also have become to the irrigation schemes on a major agricultural area thanks the Euphrates, consisting primarily of the Keban, Karakaya and the long dreamed of Ataturk dams.

The Ataturk dam alone, to be built at an estimated cost of $4.5m is expected to double Turkey's irrigable acreage.

At the opposite end of the scale are the largely barren and mountainous regions of eastern Turkey where the emphasis is largely on livestock. As a result of the development of export markets in the Middle East, the livestock industry in eastern Turkey has apparently become much more attractive and there have been substantial private sector investments in slaughter houses and freezing units.

According to one livestock consultant, however, farmers in the east have not had anything like the back-up that they have had around Izmir and one World Bank project (introducing dairy cattle) has been a "total failure."

Traditional crops

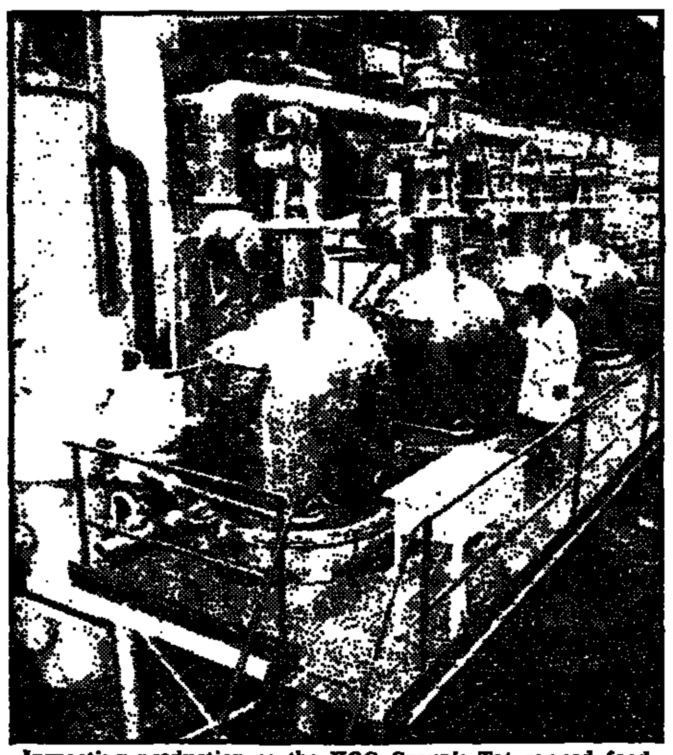
Elsewhere, conditions vary sharply. The Black Sea coastline hasa high rainfall and traditional crops such a tea, tobacco and hazel nuts are grown there. The Anatolian plain is a source of grain production.

Because of the importance of farming in Turkey, the state involvement remains considerableand many prices are set by the Government. Purchasing, marketing and supplying are mostly in the hands of large government agencies.

Competition has been further handicapped by support prices for at least 20 crops, a trend that is beginning to change with the import of various items in order to make farmers more responsible to world price trends.

Putting aside the inherent inaccuracies of state crop forecasts, 1984 is expected to be a much better year for the agricultural sector than last with a growth rate of 3.5 per cent.

It will probably also prove to be a much better year for foreign investment with U.S. companies, for example, moving into seed research, tomato paste, chicken farming, coups and frozen and canned vegetables.



Inspecting production at the KOG Group's Tat canned food plant at Bursa.

Hope where once there was only despair

Pharmaceuticals and chemicals

FRANCIS GHILES

THE LIST of foreign companies working in the pharmaceutical sector of the Turkish industry makes impressive reading: Hoechst, ICI, Ciba Geigy, Sandoz, Roche, Pfeiffer, Weiss, BIFA (Bayer, Knoll & Scherring) and their activities also extend to the chemical sector.

If one adds that Union Carbide has a trading company, that Glaxo is about to set one up, that Procter & Gamble may invest in Turkey—the first impression is one of great activity.

Activity there may be but the scars of the past are still very apparent. Four major problems confront the seven foreign companies working strictly in the pharmaceutical field, problems which also, to a degree, confront the larger Turkish ones of which there are 81 in all.

● The absence of patent protection, something which was abolished more than 20 years ago and means that foreign companies have no defence against local imitations of their products or imports of Italian or Spanish manufactured products which are usually unpatented, though, of course, much cheaper than the original German, Swiss, British or U.S. ones.

● Price controls which are rigid and price increases which are very rare indeed. This has also *affected the profitability of* the larger Turkish businesses and has resulted in gross undercapitalisation not to mention a lack of research which is keenly felt. It has also led to the appearance of companies which are not too concerned about the quality of what they produce.

Few new products thus get put on sale in a country where the per head consumption of medicines remains low. Local producers form a strong lobby and foreign businesses complain of constant bureaucratic interference and favouritism. New products are also rare as the Ministry of Health, mindful it argues of product inflation, usually refuses to allow new products.

There are, however, some signs of change and Mr Kaya Turgut, who heads one of Turkey's largest pharmaceutical companies, Fako, points to the setting up of a good manufac*turing rule guide* on November 1, 1984 as one of them.

He is not alone in hoping for a gradual relaxation of price controls but says that it is a long haul. Just to implement the good manufacturing rule guide will cost TL5bn and that inevitably spells much restructuring in the sector.

There is no independent Turkish institution comparable to the Federal Drug Administration in the U.S. Setting one such body up would certainly help though it may be very difficult to staff it at first. Other positive steps the industry hopes for include the lowering of import duties on certain active substances, often to zero and the placing of a number of Turkish-manufactured products on *special import lists.* Registering new products has, it appears, become less of a headache in recent months.

However, bolder and faster reforms are needed if the kind of investment the authorities are thinking of are to be made.

The 1985-89 Economic Plan splits the chemical sector into three parts:

three parts (see table below): petrochemicals (a); fertilisers (b); pharmaceuticals and others (c).

In the wider chemical, petrochemical and fertiliser field, the plan has ambitious targets. In the chemical field it wants to promote the production of phenol, methanol and acetone; sodium triple phosphate; X-rays and photographic films and dyestuffs to help the vital and fast-growing textile industry.

It should have no problem where detergents, cosmetics and coatings are concerned. They have been growing at an average rate of 7 per cent and more every year, faster than GNP and are providing some useful exports to the Middle East.

The packaging industry for *its part has lagged behind,* undercapitalised and the victim of high inflation. But the needs are tremendous, considering the rapid growth in Turkey's exports.

The production and consumption of many other products is growing fast and one of the more exciting possible contracts is the one being discussed by Etibank with the U.S. company FMC to develop soda ash. Turkey is not short of many of the necessary raw materials but they are usually very badly exploited.

	Production	Consumption (m tons)	Exports
Soda Ash	220,000	176,000	60,000
Caustic Soda	63,000	128,000	—
Chlore	56,700	54,700	2,000
Borax	39,200	14,200	27,000
Ethanol	36,000	32,250	750

Source: 1984 SPO.

Overall 9 per cent of all chemical products made in Turkey are exported. Despite the growing demand at home, the possibility of greater export potential is obvious, if only greater efficiency can work its way into this sector.

On the fertiliser front meanwhile a $250m project, in part financed by Kuwaiti funds, is expected to produce Diamonium phosphate. Four plants are planned which will use Tunisian phosphate rock as feedstock and rely partly on the great expertise of Tunisia's Groupe Chimique Maghrebin.

So, the bad old days—not so long ago—since it was 1976 when Squib and Abbott and Veba bowed out in sheer frustration are gone but it will be years before Turkey will have brought itself up to date. Signs of promise—and a few recent government decisions have, however, given rise to hope where once there was little else but despair.

Production and targets

	A $bn	B $bn	C $bn
Production 1983	780	825	1.5
Target 1989	1.4	1.4	2.4†
Exports 1983	135	—	95
Targets 1989	261	—	250
Consumption 1983	1.1	1.2	460
Target 1989	1.5	1.8	—

† Of which $500m pharmaceutical.
Source: State Planning Organisation November 1984.

Times change slowly in Turkish agriculture—a peasant ploughs a field by hand under the shadow of Mount Ervyes in Cappadocia

Ozal Government places a priority on developing the tourism industry

Problems in fulfilling untapped potential

Tourism

STEPHANIE GRAY

JUST AS IT has great difficulty *selling itself politically,* Turkey seems to have similar trouble persuading tourists that the country is a lovely place to take a holiday.

While 6m visitors pour into Greece each year, and a massive 40m into Spain, Turkey notched up only 1.6m last year, and even that figure includes large numbers of purely business travellers.

During the anarchic days of the late 1970s, tourism was the first to suffer. Films such as *Midnight Express,* depicting the horrors of Turkish prison life, did not help, though most Turks are quite happy to do without the American hippies who used to travel through Turkey on the Afghan trail.

Tourism earned the country a net $281m in 1983, a 7.5 per cent increase on 1982 but equivalent to less than 10 per cent of total exports.

The trend is encouraging, but although a boom has been expected every year recently, the industry has yet to take off.

The potential for tourism, however, is enormous. Few countries possess such a treasury of natural beauty and historical antiquities. There are the glistening untouched beaches of the Mediterranean, the geological miracle of Cappadocia with its caves of volcanic rock, the archeological treasures of the Ephesus and Aegean area and the splendour of Istanbul, a city laden with history.

And, for the truly adventurous, there is the haunting beauty of Eastern Turkey around Lake Van.

If the foreign hordes arrived tomorrow, however, Turkey just would not be able to cope. Local and foreign investment over the last few years has hoverred around the equivalent of about $100m a year, and bed capacity amounted to only 65,000 last year, a figure said to be below that of Tunisia, a country only a fraction of Turkey's size.

Critics blame bureaucratic muddle at the Ministry of Tourism for the still inadequate investment and infrastructure, despite the industry being given a priority by the Ozal Government. Critics argue that the ministry simply does not have the political clout to secure enough funds. The job of minister appears to be a largely ceremonial one.

Middle echelons

Still, in the past few months, the middle echelons at the ministry have been overhauled, and a new team, upon which high hopes are placed, is about to take over.

Despite incentives, including the allocation of Government land for 49 years at a rent of £15 a year per bed, an 8-10 year tax holiday, and further tax exemptions on foreign exchange earnings, local concerns have been slow to invest. Some have merely bought land for speculative purposes.

One of the reasons for the slowness is that Turks have been accustomed to seeing quick returns on operations like trading, construction and Middle East transport. They are not used to waiting five, 10 or even 20 years before recovering their initial inputs. Another is the tightness of money.

The rewards, though, for investors such as the civil service pension schemes, for instance, are phenomenal. The schemes own the three main hotels in Istanbul—the Etap Marmara, Sheraton and Hilton—and the Buyuk Ankara in the capital.

Because they have a virtual monopoly in the business, the Hilton and Buyuk Ankara feel they can charge very high rates. Despite their prices, they have all been running at about 80 per cent occupancy this year.

In July and August, the Hilton was turning away more than a 100 guests a day.

It will be a long time before the big hotels' monopoly is broken. In the meantime, they are all vying for another site in Istanbul and one, if not two, in Ankara. Hilton is close to signing a deal with two foreign concerns and the International Finance Corporation, the World Bank's private finance arm for the Ankara project. The U.S. hotel group is prepared to put up 10 per cent of the equity itself—an unusual departure for any hotel management contractor but one that others, such as Holiday Inn, are also now prepared to make.

In spite of all the problems, the scene might be different by the end of the decade. Major innovations have already made an impact. Last year, Istanbul acquired a new international airport which makes the tourists' arrival less of a dispiriting experience than it was in the recent past. A civilian airport has also been opened at Dalaman, close to the south coast, to serve a cluster of developing Mediterranean resorts.

Several more grandiose projects are either at the blueprint stage or in the first phase of construction. With World Bank assistance, the Antalya region, in particular, seems set for a tourist bonanza which may give meaning to talk of a Turkish Riviera. On the other hand, it might turn out to be a haven for the "fish 'n chip" traveller.

On a less ambitious scale, plans are well advanced to convert the dozens of karavanserai —lovely old stone buildings where ancient traders rested and ate free of charge—across the country into modern-day motels.

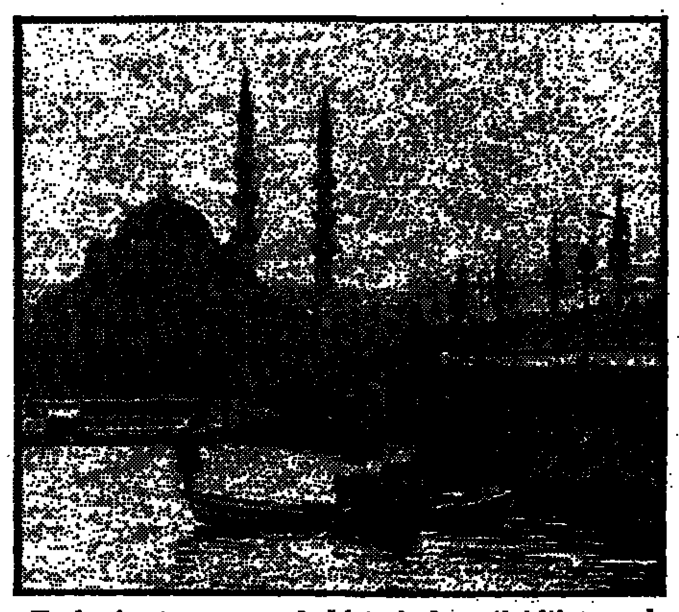
Remarkable influx

It is not just western visitors that the Turks will be catering for. Last summer saw a remarkable influx of tourists from the Middle East, especially from Saudi Arabia.

In an effort to lure Arab capital a new law has been passed making *tourism* one of the few sectors where 100 per cent ownership is permitted.

On the whole, the Arabs have been slow to take up the opportunities. A wealthy Syrian entrepreneur, however, has invested in a project to turn Candirli Bay, near Izmir, into a playground for the Arab jet-set.

The Turks appreciate that, in addition to foreign investment, the sophistication and professional skills of foreign operators are needed if tourism is ever to take off. At the same time, they feel that they ought to be in charge of it themselves. Turkish hoteliers, trained abroad, have amply demonstrated that they can run the business as well as anybody.



Turkey's treasury of historical antiquities and natural beauty provide enormous potential for attracting more foreign tourists. Above: Istanbul, a city laden with history

Legislation set to increase discipline

Insurance

DAVID BARCHARD

INSURANCE IS one of the oldest financial activities in Turkey, and, ironically, one of the least developed. Of the 41 insurance companies now operating, one, London Assurance goes back 110 years, and several date to the closing decades of the last century.

Unlike banking, insurance companies survived the switch after 1928 to inward-looking economic policies in Turkey. Some 17 foreign insurance companies survive — more than the number of foreign banks, even today. However, the scale of their activities was relatively limited and like other sophisticated financial services, they tended to be concentrated in Istanbul.

"We cover most of the areas of policies written in other countries," says Mr Sacit Sadalak, an Istanbul underwriter. Only about 15 per cent of the TL 42,000m ($148.6m) total premiums paid in Turkey last year were for household insurance.

Insurance in an environment of runaway inflation is not easy. Life insurance has little appeal for Turks who tend to rely on large state pension schemes which keep up with the depreciation of the lira.

In spite of the difficulties of organising adequate reinsurance, the insurance sector in Turkey is lucrative. "We make profits. I never heard of an insurance company going out of business." Mr Sadalak says the 17 foreign companies in the sector report no difficulties *in repatriating their profits.*

The Ozal reforms have had their impact on this sector as on every other. Legislation is pending which is expected to impose some new discipline. Companies will have to have capital of TL 400m ($980,000), which is expected to help the stronger companies, most of whom are linked with the major banks. More controversial in Turkey is the proposal that all premiums will have to be paid in advance — something which is not at the moment universally accepted.

Much of rural Anatolia has long had little to do with insurance. Like advertising and sales promotion, it was regarded by many small firms as an unnecessary expense. Religious fatalism may also have been a factor discouraging insurance, Mr Sadalak believes.

Changing times and new patterns of risk are altering the picture. There is a clamour for some types of insurance which are not easily available in Turkey, notably export insurance —for which neither the state nor the private sector has at present the necessary funding or organisation.

"What we should be doing," Mr Sadalak says, is opening up new services and attracting new capital into the sector. But that will take time."

At present the level of services offered by the major insurance companies is relatively unsophisticated. In spite of the international connections of the foreign companies, business is done on a traditional basis.

Ideas ventilated

There is little or no formal training for underwriters who learn their skills on the job and little access to international insurance practices—*though* the insurance world in Turkey is notable in having trade magazines which cut across company lines and in which new ideas can be ventilated. At present, there is no insurance institute.

Many industrialists remain only dimly aware of the need for insurance. "You look at a policy which they think covers their entire operation," says Mr Sadalak, "and you discover that they are only covering risks to their buildings." However, there is growing demand for such new types of policy as those covering professional liability for doctors or employer's liability.

Foreign businesses setting up in Istanbul tend not surprisingly to be much more insurance - conscious than long-established local ones and to generate new business.

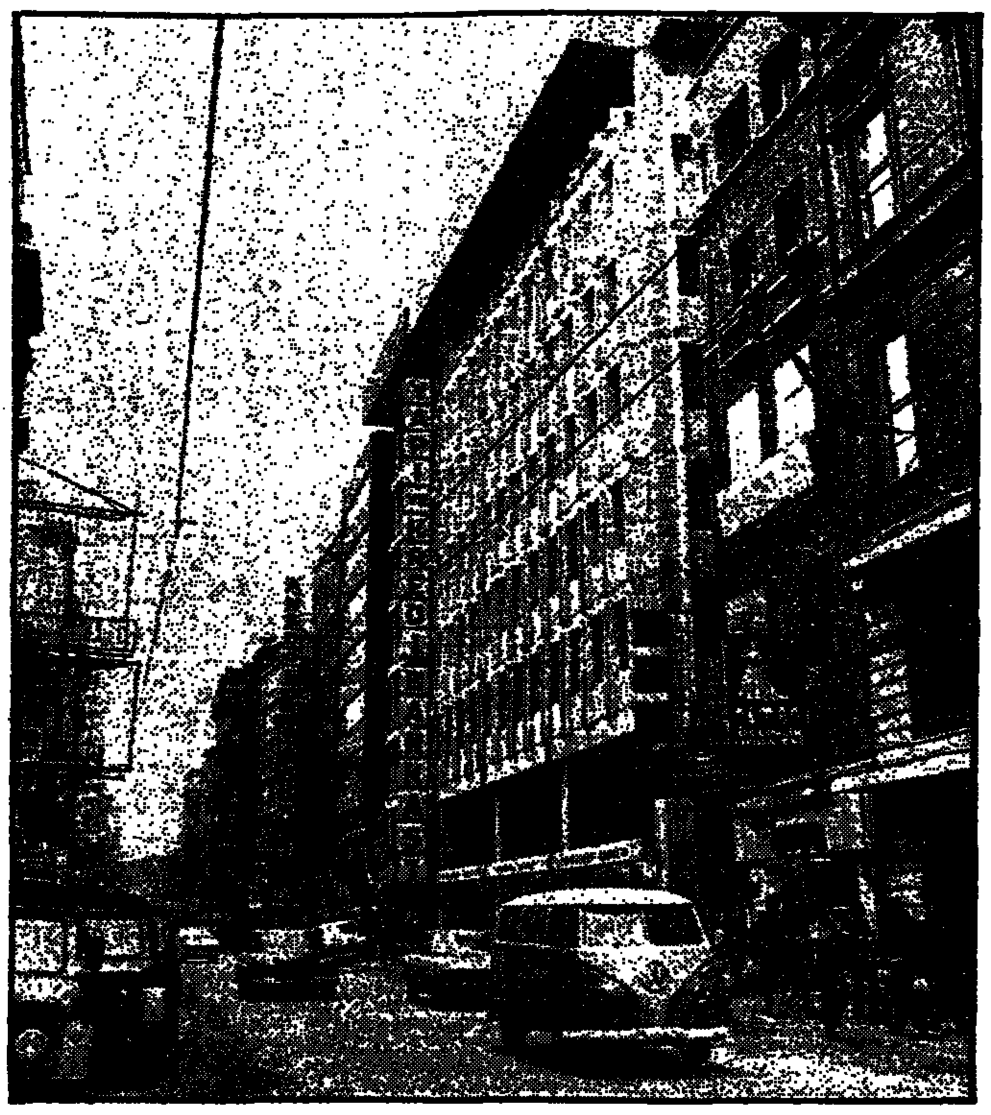
The fact that most Turkish insurance companies are profitable but minor subsidiaries of large banks or industrial groups may be a brake on the growth of the sector, though vigorous advertising campaigns are now common.

Unlike such state pension funds as the Emekli Sandigi (Civil Service Fund) the major private insurance groups have not emerged as major investors in their own right, because of their umbilical connections with banks. But the sector is one where steady adjustment to new conditions and increasing convergence with international standards and practices may be relatively easy to attain.

TURKEY — Trade and Industry 11

Efficiency is key to success

Banking
DAVID BARCHARD



Branches of the Anadolu Bank and Yapi ve Kredi Bank in in Istanbul

"THIS YEAR," 1984 has been a very good year for us at Akbank, in fact the best in our history" a satisfied Erol Sabanci at Akbank says. At Interbank, Erol Aksoy, generally regarded as the whizz-kid of the Turkish banking scene, says drolly that 1984 has been "much too good" with pre-tax profits well up.

It is, as Mr Sabanci admits, something of a contradiction. Turkey's banking sector is usually regarded as being in the grip of a crisis, with several well-known private banks fighting for survival, a problem largely brought on by bad debts of large industrial corporations. A second aspect is the cost of money—visible rates to commercial borrowers go up to 65 per cent, but net rates can be 25 per cent above that. As if that were not enough, since September the Government has been trying to turn the credit taps still more tightly off, ordering many state banks to restrict credits to an absolute minimum.

Efficiency seems to be the key to short-term survival. The foreign banks operating in Turkey have found it easy to make substantial profits. "It's rather embarrassing" says one foreign banker "we do our best to deflate our profits as much as possible, while the Turkish banks struggle to inflate their profits."

However some of the Turkish banks may be learning. Interbank's policy of competing with foreign banks on their own ground has paid off in making it the most profitable private bank in Turkey two years running.

At Akbank, Mr Sabanci is inclined to attribute improved performance to new efficiency. "The first key is asset management," he says. "We have a very small percentage of 'problem loans,' only about 1.8 per cent in fact. The second element is internal auditing. We like to think that with our team of 150 inspectors directly answerable to the chairman, we are more efficient in our own way than internationally famous auditing firms."

Responsibility

The Ozal Government has been cautious towards the banking sector. At the end of 1983, it liberalised the foreign exchange system, transferring responsibility for the majority of commercial transactions to the trading banks and reducing the role of the Central Bank to essentially supervisory and regulatory functions. The banks were not grateful for the volume of new work—but a year later, most clerks have learned to live with the new system.

The Government has also followed its predecessors in relying quite heavily on the 70 per cent of the banking system which is owned by the state. In a country where other economic and fiscal instruments are weak and imprecise, the state banks are too attractive an economic lever for any government, even Ozal's to resist. Though the prime minister was reported as saying that there might be sales of some stocks in a few state banks, no one expects that such giants as the Ziraat (Agriculture) Bankasi which controls approximately one quarter of banking operations will ever be a candidate for privatisation.

Control of the boards of the state banks is one good indicator of a Government's power in Turkey. More than one of the major state banks has had

Mr Yavuz Canevi, Governor of the Central Bank

problems in getting its accounts cleared by parliamentary commission. A month ago, Mr Rammi Onen, head of the Ziraat Bankasi and thus the key figure in the state banking system, was replaced, though it is too early to judge the consequences.

Mr Aksoy, widely regarded as being close to the Ozal administration, says he feels some disappointment as far as its record in banking is concerned. "I'm disappointed at the lack of new banking regulations for a whole year," he says. "We should be forcing banks to put up adequate provisions against bad loans."

He would like to see a tougher definition of non-performing loans. Though Turkish banks have been required since 1981 to record these in their balance sheets, a non-performing loan is only designated as such if a bank sues its customer. Foreclosing is the last thing many banks want to do with customers who may be both old friends and known to have a rickety financial structure.

Mr Aksoy also wishes the Government had permitted more freedom with interest rates. Unlike 1980 when interest rates were totally freed, the government fixes deposit rates through the Central Bank. Sight deposits get 5 per cent; one month money 35 per cent; time deposits of up to a year 52 per cent, and deposits of more than a year, 45 per cent. Mr Aksoy would like to see more competition and the introduction of 90-100 day provisions to encourage banks to lend at more realistic rates.

Inflation battle

"Look," he says expansively, "whoever lends at 65 per cent—that's to say 85 to 90 per cent net—is not going to get his money back." He argues that if the Government wants to bring down inflation, it should start with lending rates. "There's 30 per cent of fat between lending and deposit rates," he says. "The average rate to depositors is well below 53 per cent."

Meanwhile banks are cautiously developing new instruments. During 1984 the Government issued a series of Treasury bonds to mop up excess liquidity in the money supply—and began to use bonds to pay contractors. Some banks are now using short-term sales of bonds, over periods of ten to 12 days, as a means to bridge the gap between the 5 per cent interest on sight deposits and the 35 per cent on three months money.

There are also tentative moves, encouraged by the Central Bank, to develop inter-bank lending. At the end of November, Akbank had interbank deposits of TL 12bn ($28.5m). "We do it for a variety of reasons," says Mr Sabanci "among them is that we believe it is good for the country."

The question of patriotism is partly a response to the increasing visibility of foreign banks. This year Chase Manhattan and Manufacturers Hanover joined the dozen banks already in Turkey. Others, including Standard Chartered of the UK, are known to be considering coming in. But with the amount of business finite, not everyone is sure how the latecomers will fare.

"The pie is staying the same size," a Turkish employee of a foreign bank says, "but the apportionment will have to alter." A leading Turkish banker is blunter. "The foreign banks will cut each other's throats. They're all after the same companies."

None the less several of the existing foreign banks in Turkey are planning to expand. One is contemplating a network of 14 or 15 branches in a few years which would make it larger than Interbank—and very much more visible.

Meanwhile later this month, Turkey's first bid at a "wholesale bank" is due to make its debut. Chaired by a former foreign minister, Mr Hayrettin Erkmen, and financed by up to 140 partners, the "Import/Export Bank" in Istanbul is due to open its first branch just before Christmas. Its services will be geared to the needs of exporters and in particular to contractors and transport businesses. A network of non-deposit taking branches in the major exporting cities of Turkey is planned.

PROFILE: INTERBANK

BY FRANCES GHILES

Madison Avenue promotion techniques

"THE SPORTY end of the banking market," sniffed the manager of one of the growing list of foreign banks in Istanbul when he was asked what he thought of Interbank.

"A good dinner, good appearance and a cigar," was how one senior banking executive summed up the operation. If one adds to this picture the flamboyant character of the bank's vice-chairman and managing director, Erol K. Aksoy, the observer can be forgiven for wondering exactly what kind of bank with which he is dealing.

Interbank is no less flamboyant than its parent company, the Cukurova group, a diversified holding of Turkish companies founded in 1923, whose glossy handout now carries a slogan: "The name is Cukurova, the address is Turkey, the occupation is success."

Whether Interbank stands at the sporty end of the banking field or not, its net income increased by 155 per cent in the first half of 1984 to TL 1.6bn total assets grew by 77.8 per cent to TL 122.4bn.

Net income after provisions for loan losses totalled TL 3.6bn a rise of TL 2.6bn over the first half of 1983. This impressive improvement came from a 30 per cent increase in net loans funded by lower cost sources, principally low interest bearing corporate deposits and short term borrowing from foreign banks. Low-cost sources of deposits are particularly prized at a time when rates of interest in Turkey are around 65 per cent.

International Bank for Industry and Commerce was incorporated by French, Austrian, Hungarian and Turkish shareholders in Turkey in 1888 as Banque de Salonique, with capital of FFr 20m.

In 1969, its name was changed to Uluslararasi Endustri ve Ticaret Bankasi and in 1981 the capital increased to Turkish Lira 500m. Cukurova Holding became a majority shareholder and having then added a third bank to its growing empire found itself controlling about 30 per cent of all Turkey's private banking.

Exports increase

Cukurova also holds 62 per cent of Yapi ve Kredi Bankasi and 95 per cent of Pamukbank. To this must be added insurance companies, brokerage and trading concerns, interests in heavy machinery, agriculture, chemical industries, steel, cement, household goods and soft drinks.

Emphasis at Interbank in recent years has laid on financing foreign trade—at a time when Turkey's exports have increased dramatically. The Ozal Government has provided many incentives to exporters, more particularly to the large holding groups.

Export finance today accounts for well over half the bank's loan portfolio and the bank has tended to regroup all the services a particular company needs under the aegis of one officer, rather than spread them throughout the different services as is still common in Turkey.

Interbank has also been able to be selective where its clients are concerned, being the first Turkish bank to focus so strongly on exports.

From 1982 to 1984 a Bank of America adviser was in residence, concerned in particular with improving branch productivity. But here again, Interbank does not have the sprawling and inefficient network of branches, so typical of some Turkish banks.

Training schemes for senior Interbank staff have also led many executives to London and New York.

So long as Turkey's exporters continue doing as well as they have since 1981, the activities of Interbank should continue to expand: industrial exports have more than doubled since then.

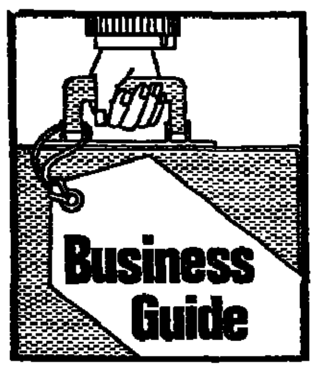
Those foreign banks which are operating in Turkey today—and the list grows every year—have carved a lucrative niche for themselves by concentrating on the export side of business and picking their clients with care.

Being the first Turkish bank to play this card has served Interbank well, if one judges by the figures: first half 1984 return on shareholders' average equity was 27.8 per cent against 18.6 per cent for the comparable period last year. Foreign exchanges revenue increased by 62 per cent to $340m over the same period.

Interbank claim that its streamlined operation—by far the most advanced of all Turkish banks, explains this glittering track record. For those foreigners who sniff at such success, the bank simply points out that its accounts are audited by Arthur Anderson—which presumably is the end of the argument.

But the bank is not shy when it promotes itself—be it conferences organised with Euromoney or some of the sophisticated annual statements of accounts in Turkey: Erol Aksoy clearly learned about Madison Avenue techniques, as well as banking, when he was in the United States as a student. Young and dashing, making good profits, with purposeful, American executive style photographs in the annual report, the Bosphorous providing the inevitable and rather attractive background, Mr Erol Aksoy must sometimes ponder the motto of King Louis XIV's first Minister of Finance, Monsieur Fouquet. "Jusque où ne monterais-je pas?"

Planning well ahead will pay big dividends



HERE are tips for the overseas business visitor to Turkey:

● **Information:** The first thing any traveller to Turkey needs to know is that any telephone numbers he has been given are probably out of date if they are more than six month's old. Telephone directories appear at irregular intervals of severl years—so it is best to scan newspaper advertisements or consult local friends when hunting for numbers.

More than most European countries, success at anything from booking a train ticket to eating out depends on having the right information on how to go about it. Turks gladly supply information when asked—the newcomer should always try and gather the necessary details in advance.

● **Flights:** Planes in and out of Turkey can be heavily booked. Turkish airlines runs a wide local network with frequent flights, in particular between Istanbul and Ankara. You may lose your seat if you arrive less than 20 minutes before departure. Fog can disrupt winter travel.

● **Trains:** The Istanbul-Ankara "Anatolian Express" leaves each city at 9.40 each evening, arriving at the other end at about 8.45 am (barring the occasional delay).

The journey is widely regarded as one of Europe's major railway pleasures and is particularly enjoyable if combined with dinner and several glasses of raki. The cost (TL 7,900) makes it much cheaper than the plane. A similar service operates between Ankara and Izmir, but involves a 6.00 pm departure and 18 hours on a much slower train.

● **Taxis:** are clearly marked as such and now have metres. Do NOT tip.

● **Telephone services:** are slowly improving byt the main exchanges in Istanbul are heavily congested during business hours and intercity lines may be hard to obtain. There its now direct dialling abroad from hotels such as the Hilton. Collect calls may involve delays of up to two hours.

The same general points are true of the telex service which remains very poor. Buying a telephone or telex line is very expensive and in some overcrowded areas may be impossible.

● **Istanbul hotels:** The three leading centrally-located hotels are the Hilton (telephone 1467050, telex 22379), which has good facilities but less satisfactory telephones; the Marmara Etap (1448850, 24137); and, perhaps the best, the Sheraton (1489000, 22729). Businessmen can usually arrange discounts through their companies.

The Divan (1464030) is also good, with fine Turkish food. Also recommended are the Etap (1452230) and the historic Pera Palas (1452230), where Ataturk, Agatha Christie, and Kim hPilby stayed. Those with time on their side may prefer to say up the Bosphorus at the Grand Tarabya (1621000, 26203) and Yenikoy Carlton (1621020, 26260).

● **Restaurants in Istanbul:** The city is a gourmet's paradise and the pleasures of eating are usually best combined with a sight-seeing journey up the Bosphorus. Try Pandeli's in the Spice Market (Misir Carsisi) for an outstanding if expensive lunch (522 55 34) or Liman 144 10 33.

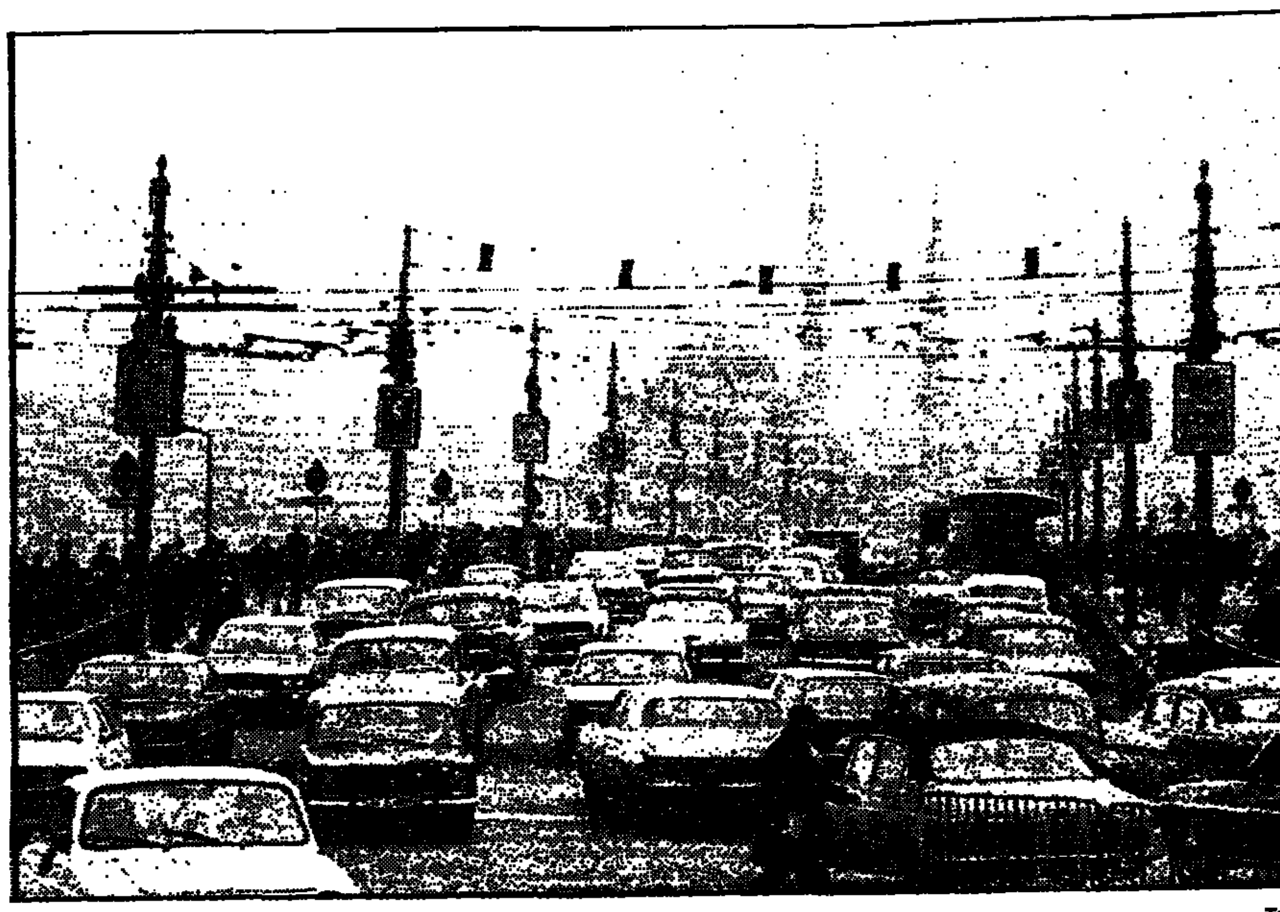
Up the Bosphorus, Abdullah's remains one of the finest restaurants in the city, and there are a whole series of notable fish restaurants up the Bosphorus for the traveller to explore—ranging from the down market but pleasant Kuyu at Arnavutkoy to the Palet at Tarabya.

There are only a few restaurants offering non-Turkish cusine. The largest is the recently opened China *Town at Bebek on the* Bosphorus (163 45 59) offering entertainment on three storeys.

● **Istanbul contracts:** The foreign consulates have commercial officers who can given initial advice, as can Tusiad, the Turkish Businessmen's Association (telephone 1462414) headed by Mr Ali Kocman, and its rival, Tisk, the Turkish Employers Confederation (telephone 1456908), headed by Mr Halit Narin.

Bodies such as the Turko-British Chamber of Commerce (1490658) under Mr Ilter Koral can assist, as can Mr Norman Covey (1451793), formerly of the Chamber and the Financial Times.

Istanbul's shabby 19th-century streets, the product of decades of economic isolation. The city may get a face-lift as the Ozal reforms start to work through



Terry Kirk

Traffic on the Galata Bridge at Istanbul: the ancient imperial city has become a bustling industrial metropolis. In the background is the Mosque of Yeni Camii.

The Istanbul Chamber of Industry (1454130) under Mr Nurullah Gezgin says it can advise on the legal and practical framework for investors. A new body is Yased, the association for foreign capital co-ordination, which discusses the problems of existing investors and can help newcomers (1501427, Mr Erdogan Karakoyunlu). Arthur Andersen's Mr Turhan Yetkin, 1664900, will give solid advice on the tax regime and accountancy practice.

American Express (1411439), Citibank (1414300) and the Ottoman Bank (1455020) are among the foreign banks in town, while the Turkish Industrial Development Bank, Turkiye Sinai Kalkinma Bankasi (1431360), specialises in industry. There are a number of professional bodies such as the Automotive Industry Association (1609988, Mr Muhsin Yildirim).

Other foreign banks with branches in Istanbul are: the Arab-Turk Bank, Holanise Bank, Banco di Roma, Bank Mellat, BCCI, Turk Bankasi and Bank Habib, as well as Chase Manhattan and First National Bank of Boston. Bankers Trust has opened a represenative office. Deutsche Bank and Dresdner Bank are among the foreign banks already with representative offices.

● **Pastimes:** Istanbul really is one of the cities in the world where you can be sure that you can combine business with pleasure, if you choose. The old city, capital of the Byzantine and Ottoman Empires, contains the Ottoman Topkapi Palace, the Byzantine Museum of Ayasofya, built by the Emperor Justinian in the Sixth Century, and the stunning 14th Century mosaics of Kariye Camii close to the land walls.

For those interested in its history, the best book is "Strolling Through Istanbul" by Hilary Sumner Boyd and John Freely, published by the Redhouse Press and available in Istanbul. It details walks through the major antiquities which are hard to match.

For the less historically minded, a boat trip up the Bosphorus to drink beer and eat mussels at Rumeli Kavagi (not to be confused with the castle of Rumeli Hisar, further down) may be recommended. Another scenic feast is available to those who take a boat out to the Princes' Islands in the Sea of Marmara.

● **Ankara:** This city is the fabled birthplace of Midas, but its reputation today is perhaps greyer than it deserves. There are ancient sights to see—the Seventh Century Byzantine castle is built out of the hastily-seized ruins of the Roman town and is a vivid illustration of the end of the Roman world and the beginning of the Middle Ages. The Reman baths are probably unmatched in Turkey.

Further afield, it is worth taking a day trip to see the Hittite capital of Bogazkoy, or spending a weekend down in *Cappadocia.*

● **Hotels in Ankara:** The Grand Ankara Hotel (telephone 34 4920, telex 42398) remains the best hotel in the city—and a useful place to meet other businessmen. Other centrally placed and clean hotels include: Dedeman (171100, 42408), Mola (183140, 42294) and Tunali (278100, 42142), but eat out, and the Bulvar Palas (34 2180, telex 42613.

● **Eating out in Ankara:** Business visitors tend to do much of their entertaining at RV, about half a mile away from from the Grand Ankara Hotel. Just next door to the Grand Ankara is Milka, a good meeting place for lunch or dinner. Prices in Ankara are generally well below Istanbul levels and £10 a head would be unusual.

Outside the town, at Golbasi are Chez Le Belge, something of a cult restaurant for crayfish-lovers and diplomats, and Kugu, newly opened, both beside a lake and very pleasant outdoors in summer. China Town (27 71 50) offers Chinese cuisine similar to that at its sister restaurant in Istanbul. It and Somine (27) offer the most upmarket discos in the capital. There are several good fish restaurants, notably Yakamoz and Liman.

● **Ankara contacts:** Civil servants and even ministers are relatively accessible once they are convinced the visitor is serious. Two bodies worth contacting are the Foreign Capital Department (telephone 297576) and the Central Bank, whose foreign exchange department is headed by Mr Zekeriya Yildirim (113942).

The major countries have useful commercial sections. The EEC office head is Mr Gwyn Morgan (276145/6). The Turkish Union of Chambers of Industry and Commerce is an influential body, worth having on one's side: its current head is Mr Mehmet Yazar.

BASIC STATISTICS

Turkey's population	47.2m
Area	779,452 sq km
Cultivated area	237,710 sq km
Forests	201,990 sq km
Density of population per sq km	61
Urban population per cent of total: 30 per cent in 1960, but 44 per cent by 1983.	
Infant mortality (deaths in first year year '000 live births): 184 in 1960, but down to 83 in 1983.	
Population per doctor	1,630
Exports per cent by countries:	
OECD countries	48.2
EEC	35.1
Islamic countries	45.8
Imports per cent by countries:	
OECD countries	48.5
EEC	28.1
Islamic countries	39.5
Employment in main sectors:	
Agriculture (including disguised unemployed	9.42m
Employed in industry	1.96m
Employed in services	4.05m
Civilian labour supply, 1984	18.8m
Civilian employment	15.8m
Non-agricultural labour surplus	3m
Agricultural labour surplus	665,000
Total labour surplus	3.73m

GNP performance: Negative growth in agriculture and mining was mainly responsible for reducing real GNP growth from 4.6 per cent in 1982 to 3.2 per cent in 1983. Also at constant prices, there was little change in the main sectors' GNP shares—agriculture 21.4 per cent, industry 26.4 per cent and services 52.2 per cent.

Per capita income rose by 1.1 per cent but, at the mid-year exchange rate, actual 1983 per capita income was the equivalent of $1,110.

Employment in agriculture decreased in 1983 by 31,000 persons and in industry increased by 52,800 persons. According to the 1984 Development Programme, employment in agriculture was likely to further decrease by 30,400 but in the industrial sector it would increase by 51,900 persons in 1984.

The Programme anticipated that the increase in employment in the services sector would be much higher (107,400 persons) than in industry. As a result of these employment was expected to increase by 128,900 persons, 15.81m during the current year.

Sources: 1984 Programme; Tusiad, the Turkish Industrialists and Businessmen's Association: Turkiye Is Bankasi, 1983 report; UN reports.